



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

2019 ANNUAL REPORT



Contents

3	SECTION I	Definitions and Warning of Material Risks
7	SECTION II	Company Profile and Key Financial Indicators
18	SECTION III	Summary on the Business of the Company
22	SECTION IV	Report of the Board
61	SECTION V	Significant Events
77	SECTION VI	Changes in Ordinary Shares and Particulars about Shareholders
85	SECTION VII	Particulars about Directors, Supervisors, Senior Management and Employee
102	SECTION VIII	Corporate Governance
129	SECTION IX	Relevant Information on Corporate Bonds
F-1	SECTION X	Financial Report
A-1	APPENDIX	

IMPORTANT NOTICE

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this annual report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally assume legal responsibility as to the contents herein.
- II. This report was reviewed and passed at the 22nd meeting of the fifth session of the Board 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.

- III. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the International Financial Reporting Standards and have been audited by Ernst & Young, whom then issued a standard unqualified audit report thereon. Unless otherwise stated, the financial data set out in this report are denominated in RMB.
- IV. Yan Jun, the person-in-charge of the Company and Mr. Liu Qiuming, the person-in-charge of accounting affairs, and Mr. He Mannian, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.
- V. The profit distribution proposal or proposal on transfer of capital reserve into share capital reviewed by the Board for the Reporting Period

The Company's profit distribution proposal for 2019 that was considered and approved at the 22nd meeting of the fifth session of the Board of the Company is set forth as follows:

On the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2019, cash dividend of RMB0.37 per 10 shares (tax inclusive) will be distributed to all holders of A Shares and H Shares, with total cash dividend amounting to RMB170,599,142.64. The above distribution proposal will be proposed at the general meeting of the Company for consideration and is subject to the approval by the Company's shareholders at the general meeting before implementation.

- VI. Forward-looking statements included in this report, including future plans and development strategies, do not constitute substantial commitment of the Company to investors. Investors should be reminded of the investment risk.
- VII. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholders or their related parties during the Reporting Period.
- VIII. The Company has not provided any external guarantees in violation of the prescribed decision-making procedures during the Reporting Period.
- IX. The Company prepared this annual report in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

I. Definitions

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

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
Articles of Association	articles of association of the Company
Asset securitization, ABS	financing through issuance of tradable securities backed by specific asset portfolios or cash flows
AUM	Assets under management
Board, Board of Directors	the board of Directors of the Company
China or PRC	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
collateralized stock repurchase	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
Company, our Company or Everbright Securities	Everbright Securities Company Limited (光大證券股份有限公司)
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
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Directors	the directors 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
ESIL	Everbright Securities (International) Limited (光大證券(國際)有限公司), a wholly-owned subsidiary of EBSHK
ETF	exchange-traded fund
Everbright Asset Management	Shanghai Everbright Securities Asset Management Co., Ltd. (上海光大證券資產管理有限公司), a wholly-owned subsidiary of the Company
Everbright Bank	China Everbright Bank Company Limited
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 Development	Everbright Development Investment Co., Ltd. (光大發展投資有限公司), a wholly-owned subsidiary of the Company

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

Everbright Eascreate	Everbright Eascreate Network Technology Co., Ltd. (光大易創網絡科技股份有限公司)
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 Group	China Everbright Group Ltd. (中國光大集團股份公司), the largest shareholder 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 Limited	China Everbright Limited (中國光大控股有限公司), the second largest shareholder 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 SHK	Everbright Sun Hung Kai Company Limited (光大新鴻基有限公司), a wholly-owned subsidiary of SHKFGL
FOF	fund of funds
Group, our Group	the Company and its subsidiaries
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
HK\$ or Hong Kong dollars or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
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)
IPO	initial public offering

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

maintenance margin ratio	the ratio of all the collateral from the clients of margin financing and securities lending business (including the amount of cash and the market value of securities held in margin securities account) to the margin balance of clients (the sum of the amount of margin loans purchased, the latest market value of securities lent and any accrued interest and fees)
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)
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
MOM	manager of managers, an asset management investment tool
MOT	moments of truth
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
PB	Prime brokerage
PBOC	People's Bank of China, the central bank of the PRC
PRC GAAP	the PRC Accounting Standards for Business Enterprises
QFII	Qualified foreign institutional investor
REITs	Real estate investment trusts
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
Renminbi or RMB	RMB, the lawful currency of the PRC. Amounts are in RMB unless otherwise indicated in this report
Reporting Period	the year of 2019 (the period from January 1, 2019 to December 31, 2019)
Sci-tech Innovation Board	The science and technology innovation board launched by the Shanghai Stock Exchange
security transactions with 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 for repurchase to the client pursuant to the agreement signed with the client

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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)
SHKFGL	Sun Hung Kai Financial Group Limited (新鴻基金融集團有限公司), whose equity interest is held as to 70% and 30% by EBSHK and Sun Hung Kai & Co. Limited, respectively
SSE	Shanghai Stock Exchange
stock index futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Supervisors	the supervisors of the Company
Supervisory Committee	the supervisory committee of the Company
SZSE	Shenzhen Stock Exchange

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

II. Warning of Material Risks

The Company has described in detail of the risks that it may be exposed to in this report. Please refer to the relevant statements in Section IV "Report of the Board" and Section V "Significant Events" in 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. Liu Qiuming
President of the Company	Mr. Liu Qiuming
Secretary to the Board	Ms. Zhu Qin
Company Secretary	Dr. Ngai Wai Fung
Authorized representatives	Mr. Yanjun and Dr. Ngai Wai Fung

Registered capital and net capital of the Company:

Unit : Yuan Currency : RMB

	As at December 31, 2019	As at December 31, 2018
Registered capital	4,610,787,639.00	4,610,787,639.00
Net capital	36,581,036,500.42	34,420,960,958.84

Note: Pursuant to the "Notice on the Completion and Analysis of the Revised Regulatory Report of the Comprehensive Institutional Supervision Information System" (Ji Gou Bu Han No. [2019]1360) 《關於做好修訂後機構監管綜合信息系統監管報表填報與分析工作的通知》(機構部函[2019]1360號)) issued by the CSRC, the Company has restated the net capital for the end of last year according to new accounting standards of financial instruments.

Business scope of the Company:

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.

Qualification of each of the businesses of the Company:

The Company is 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 qualifications of each of the businesses of the Company and its subsidiaries, please refer to Appendix 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, China
Telephone	+86 021-22169914
Facsimile	+86 021-22169964
Email address	ebs@ebscn.com

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

III. Basic Information

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

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 annual report	http://www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publication of the annual report	http://www.hkexnews.hk
Place where the annual report of the Company is available for inspection	No.1508, Xinzha Road, Jing'an District, Shanghai, China

V. Information on the Company's Shares

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

VI. Other Information of the Company

History of the Company, including the reform and restructuring, capital injections in the previous years

Incorporation in 1996

On June 21, 1995, the PBOC approved the establishment of Everbright Securities Limited by China Everbright Group Limited based on the reform of its original securities brokerage (business) department by issuing He Fa Yin Fu [1995] No. 214 "Reply on the Preparation to Establish Everbright Securities Limited". On March 8, 1996, the PBOC approved the establishment of Everbright Securities Limited and its articles of association by issuing He Fa Yin Fu [1996] No. 81 "Reply on the Establishment of Everbright Securities Limited". On April 23, 1996, Everbright Securities Limited was registered at the State Administration of Industry and Commerce. China Everbright Group Limited contributed RMB157 million (including USD10 million) and held 62.8% of the equity interest. China Everbright International Trust and Investment Company contributed RMB93 million and held 37.2% of the equity interest.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Increase of registered capital in 1997

On April 26, 1997, with the approval of the PBOC by issuing Yin Fu [1997] No. 180 "Reply on the Equity Change and Other Matters of Everbright Securities Limited", the registered capital of Everbright Securities Limited was increased from RMB250 million to RMB500 million, and the registered address was changed from Beijing to Shanghai. The additional capital was totally contributed by China Everbright Group Limited. After the capital increase, China Everbright Group Limited held 81.4% of the equity interest, while China Everbright International Trust and Investment Company held 18.6% of the equity interest.

Equity transfer in the period from 1999 to 2002

In June 1999, with the approval by the CSRC by issuing Zheng Jian Fa Zi [1998] No. 324 "Reply on Approving the Acquisition of 49% of the Equity Interest in Everbright Securities Limited by China Everbright Limited", and by the MOF by issuing Cai Guan Zi [1999] No. 134 "Reply on Approving the Transfer of the Equity Interest in Everbright Securities Limited", China Everbright Group Limited transferred its 49% of the equity interest of Everbright Securities Limited to China Everbright Limited, a subsidiary of China Everbright Holdings Company Limited. In August 2000, China Everbright Group Limited signed an equity transfer agreement with China Everbright International Trust and Investment Company, pursuant to which China Everbright International Trust and Investment Company transferred its 18.6% of the equity interest of Everbright Securities Limited to China Everbright Group Limited. On January 21, 2002, by issuing Zheng Jian Ji Gou Zi [2002] No. 29 "Reply on Approving the Change of Equity of Everbright Securities Limited", the CSRC approved the transfer of the 49% of the equity interest from China Everbright Group Limited to China Everbright Limited, and the transfer of 18.6% of the equity interest from China Everbright International Trust and Investment Company to China Everbright Group Limited. Upon the completion of the transfer, China Everbright Group Limited held 51% of the equity interest, while China Everbright Limited held 49% equity interest.

Increase of registered capital in 2002

On April 8, 2002, by issuing Zheng Jian Ji Gou Zi [2002] No. 90 "Reply on the Increase in Capital and Shares of Everbright Securities Limited", the CSRC approved the increase of the registered capital of Everbright Securities Limited from RMB500 million to RMB2.6 billion, where RMB984.66 million was converted from the capital reserve fund and retained profits, and the rest was contributed by China Everbright Group Limited and China Everbright Limited in the form of cash. Upon the completion of the increase in capital and share, the shareholding structure of Everbright Securities Limited remained unchanged.

Restructuring into a joint stock company in 2005

On July 14, 2005, with the approval by the MOF by issuing Cai Jin Han [2004] No. 170 "Reply on the Scheme of Converting Everbright Securities Limited into a Joint Stock Company" on December 26, 2004, by the Ministry of Commerce by issuing Shang Zi Yi Pi [2004] No. 250 "Reply of Ministry of Commerce on Approving the Capital Increase of Everbright Securities Limited and Its Change into a Foreign Investment Joint Stock Company" on April 29, 2004 and by issuing Shang Zi Pi [2005] No. 366 "Reply on Approving the Contribution Reduction, Change of Name and Exit by the Shareholders of Everbright Securities Limited" on March 14, 2005, and by the CSRC by issuing Zheng Jian Ji Gou Zi [2005] No. 54 "Reply on Approving the Restructuring and Reduction of Registered Capital of Everbright Securities Limited" on May 10, 2005, China Everbright Group Limited and China Everbright Limited contributed the audited net assets of RMB2,325 million as of June 30, 2004, the three new shareholders Xiamen Xinshiji Group Co., Ltd. ("Xiamen Xinshiji"), Dongguan City Lianjing Industrial Investment Co., Ltd. ("Dongguan Lianjing") and Nanjing Xinding Investment Development Co., Ltd. ("Nanjing Xinding") contributed RMB100 million, RMB10 million and RMB10 million respectively in the form of cash to establish Everbright Securities Company Limited, with the net assets of RMB2,445 million converted into 2,445 million shares at the conversion rate of 1:1. When Everbright Securities Limited was restructured into a joint stock company, the registered capital of the Company was changed from RMB2,600 million to RMB2,445 million.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Increase of registered capital in 2007

On May 29, 2007, with the approval by the MOF by issuing Cai Jin Han [2007] No. 37 “Reply on Approving the Capital Injection Scheme of Everbright Securities Company Limited” on March 1, 2007, by the CSRC by issuing Zheng Jian Ji Gou Zi [2007] No. 70 “Reply on Approving the Capital Injection of Everbright Securities Company Limited” on March 19, 2007, and by the Ministry of Commerce by issuing Shang Zi Pi [2007] No. 702 “Reply on Approving the Capital Injection of Everbright Securities Company Limited” on April 16, 2007, the Company issued 453 million shares in total to the three promoters, Xiamen Xinshiji, Dongguan Lianjing and Nanjing Xinding, and other eight new entities including Jiayuguan Hongfeng Industrial Co., Ltd. at the offering price of RMB2.75 per share, which were subscribed by cash. Upon the completion of the capital injections, the registered capital of the Company was increased from RMB2,445 million to RMB2,898 million.

Initial public offering of A Shares and listing on the SSE in 2009

On August 4, 2009, with the approval by the CSRC by issuing Zheng Jian Xu Ke [2009] No. 684 “Reply on Approving the Initial Public Offering by Everbright Securities Company Limited”, the Company issued 520 million A Shares at the offering price of RMB21.08 per share by way of initial public offering and raised RMB10,961.6 million in total. After the initial public offering, the registered capital of the Company was changed to RMB3.418 billion. The shares of the Company were listed and traded on the SSE since August 18, 2009.

Private placement of A Shares in 2015

With the approval by the CSRC by issuing Zheng Jian Xu Ke [2015] No. 1833 “Reply on Approving the Private Placement of Shares of Everbright Securities Company Limited”, the Company completed the change of registration procedures for securities sold in a private placement to certain investors on September 1, 2015. In this private placement, 488,698,839 A Shares were issued to seven target investors at an offering price of RMB16.37 per share, and a net amount of RMB7,968,538,346.52 was raised. Upon the completion of this private placement, the total shares of the Company were increased from 3,418,000,000 A Shares before the issuance to 3,906,698,839 A Shares after the issuance. The registered capital was increased from RMB3,418,000,000 before the issuance to RMB3,906,698,839 after the issuance.

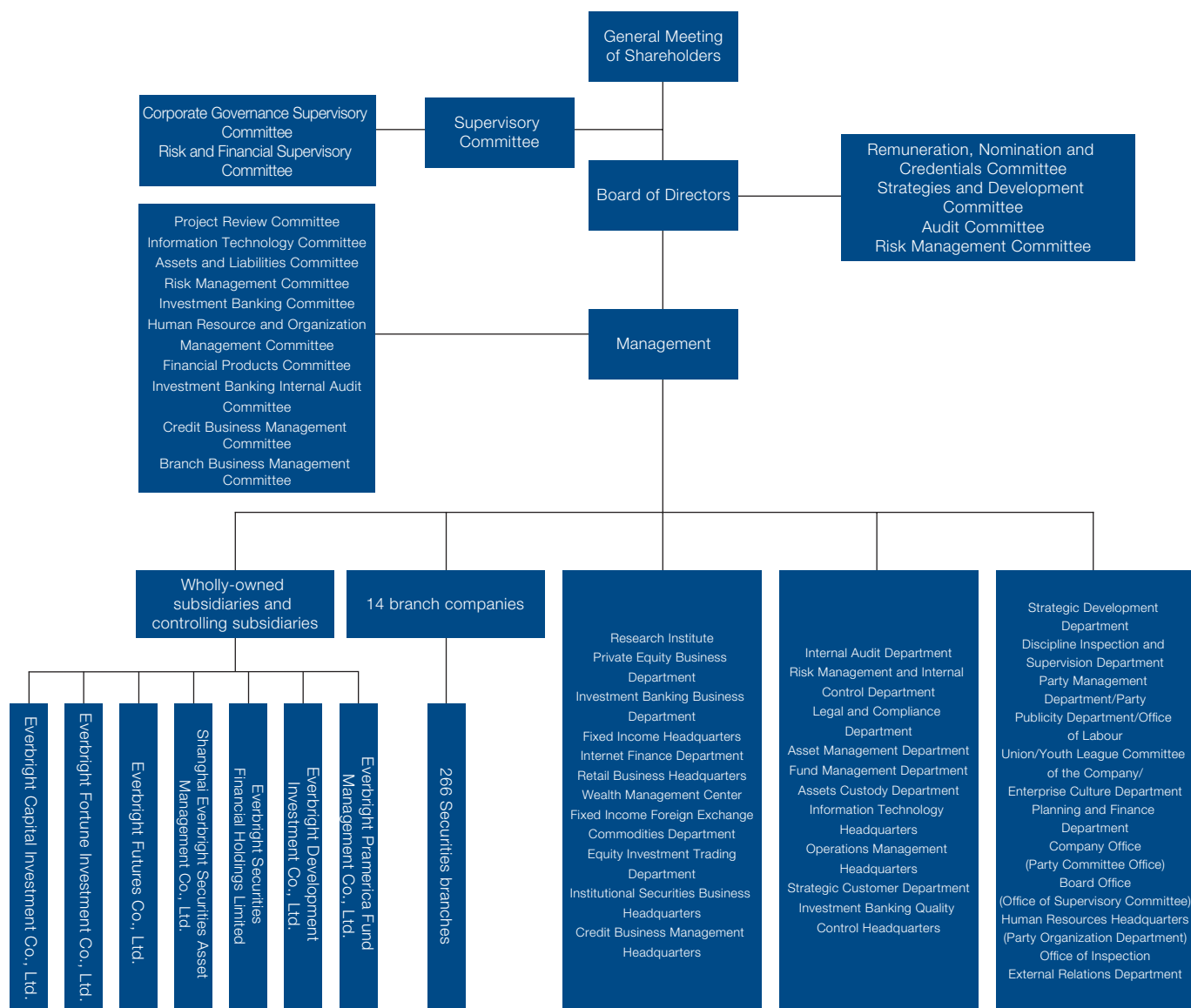
Public offering of H Shares and listing on the Hong Kong Stock Exchange in 2016

With the approval by the CSRC by issuing Zheng Jian Xu Ke [2016] No. 1547 “Reply on Approving the Issuance of Overseas Listed Foreign Shares by Everbright Securities Company Limited”, and by the Hong Kong Stock Exchange, the Company issued 704,088,800 shares of overseas listed foreign shares (H Shares) and these shares were listed on the Main Board of the Hong Kong Stock Exchange on August 18, 2016. The total shares of the Company were changed from 3,906,698,839 to 4,610,787,639, and the registered capital was changed from RMB3,906,698,839 to RMB4,610,787,639.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

ORGANIZATION STRUCTURE

1. Organizational chart



Note: The above organizational chart is the organization structure as of the date of this report and only contains the first-level controlling subsidiaries of the Company.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. Information about the first-level onshore and offshore subsidiaries of the Company

Name	Registered Capital	Shareholding Percentage held by the Company	Registered Address	Date of Establishment	Person in Charge and Contact Number
Everbright Futures	RMB1.5 billion	100%	6th Floor, No. 729 Yanggao South Road, Free Trade Experimental Zone (Shanghai), China	April 8, 1993	Yu Dawei (俞大偉) 86-021-80212288
Everbright Asset Management	RMB200 million	100%	26th Floor, Tower 3, Lujiazui Century Financial Plaza, No. 799 Yanggao South Road, Pudong New Area, Shanghai, China	February 21, 2012	Xiong Guobing (熊國兵) 86-021-22169999
Everbright Fortune	RMB2 billion	100%	Room 801-803, No. 1508 Xinzha Road, Jing'an District, Shanghai, China	September 26, 2012	Yu Huinan (于蒼楠) 86-021-68815586
EBSHK	HK\$2.765 billion	100%	24/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	November 19, 2010	Li Bingtao (李炳濤) 852-21068367
Everbright Development	RMB500 million	100%	Room 209, Western District, Level 2, No. 707 Zhangyang Road, Free Trade Experimental Zone (Shanghai), China	June 12, 2017	Chen Hu (陳澍) 86-021-68786333
Everbright Pramerica	RMB160 million	55%	6th Floor, Tower One, BFC, No. 558 Zhongshan East Second Road, Huangpu District, Shanghai, China	April 22, 2004	Lin Chang (林昌) 86-021-80262888
Everbright Capital	RMB4 billion	100%	8th Floor, No. 1508 Xinzha Road, Jing'an District, Shanghai, China	November 7, 2008	Fan Nan (范南) 86-021-61061908

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

3. The number and geographical location of the branch companies and securities brokerage branches of the Company

As of the date of this report, the Company has 14 branch companies and 266 securities brokerage branches located nationwide in 129 cities (including county-level cities) of 30 provinces, autonomous regions and municipalities directly under the central government.

VII. Other Relevant Information

Accounting firm engaged by the Company (Domestic)	Name	Ernst & Young Hua Ming LLP (Special General Partnership)
	Business address	Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Beijing, China
	Name of signatory accountants	Wang Ziqing (王自清), Xu Yan (徐艳)
Accounting firm engaged by the Company (International)	Name	Ernst & Young
	Business address	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
	Name of signatory accountants	Kelvin Leung
International legal advisor:	Clifford Chance LLP	
A Share Registrar:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H Share Registrar:	Computershare Hong Kong Investor Services Limited	

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VIII. Key Accounting Information and Financial Indicators for the Last Three Years

(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 IFRS)

Item	2019 (RMB' 000)	2018 (RMB' 000)	Variance as compared to the last corresponding period	2017 (RMB' 000)
Operating results				
Revenue and other income	15,352,397	13,482,584	13.87%	14,761,235
Profit before income tax	1,218,853	305,441	299.05%	4,077,657
Net profit attributable to shareholders of the Company	567,945	103,323	449.68%	3,016,470
Net cash from operating activities	29,000,071	(11,385,210)	N/A	(30,608,967)
	(RMB/share)	(RMB/share)		(RMB/share)
Earnings per share				
Basic earnings per share	0.12	0.02	449.68%	0.65
Diluted earnings per share	0.12	0.02	449.68%	0.65
Index of profitability				
Weighted average returns on net assets	1.20%	0.21%	Increased by 0.99 percentage points	6.26%

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Item	As of December 31, 2019 (RMB' 000)	As of December 31, 2018 (RMB' 000)	Variance as compared to the last corresponding period	As of December 31, 2017 (RMB' 000)
Scale indices				
Total assets	204,090,347	205,779,038	(0.82)%	205,864,365
Total liabilities	155,071,539	157,021,183	(1.24)%	155,841,697
Accounts payable to brokerage clients	45,710,991	35,965,897	27.10%	41,060,343
Equity attributable to shareholders of the Company	47,444,725	47,203,028	0.51%	48,575,912
Total equity of owners	49,018,808	48,757,855	0.54%	50,022,668
Total share capital ('000 shares)	4,610,788	4,610,788	–	4,610,788
Net assets per share attributable to shareholders of the Company (RMB/share)	10.29	10.24	0.49%	10.54
Gearing ratio ^{Note 1}	69.05%	71.29%	Decreased by 2.24 percentage points	69.65%

Notes:

- Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)
- The net profit and the net assets attributable to shareholders of listed companies for the comparable periods as disclosed in the financial reports prepared in accordance with the IFRS 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 December 31, 2019 (RMB' 000)	As at December 31, 2018 (RMB' 000)
Core net capital	35,081,037	32,320,961
Subordinate net capital	1,500,000	2,100,000
Net capital	36,581,037	34,420,961
Net assets	48,140,820	47,567,982
Provisions for risk capital	12,683,548	15,159,697
On-balance sheet and off-balance sheet assets	136,365,913	141,584,310
Risk coverage ratio (%)	288.41	227.06
Capital leverage ratio (%)	27.82	24.84
Liquidity coverage ratio (%)	222.54	1,032.52
Net stable funding ratio (%)	132.15	151.94
Net capital/Net assets (%)	75.99	72.36
Net capital/Liabilities (%)	43.20	38.13
Net assets/Liabilities (%)	56.85	52.69
Value of proprietary trading of equity securities and equity derivatives/Net capital (%)	21.64	24.25
Value of proprietary trading of non-equity securities and non-equity derivatives securities/Net capital (%)	194.86	172.98

Note: According to the "Notice on Completing the Reporting and Analysis of the Regulatory Statements of the Institutional Supervision Comprehensive Information System after the Amendment" (Sector Letter [2019] No. 1360) issued by the CSRC, the Company has restated the net capital and risk control indicators for the end of last year according to new accounting standards of financial instruments.

The above data were prepared 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 on a parent company basis.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(III) Key accounting information and financial indicators for the last five years

1. Profitability information

RMB: million

	2019	2018	2017	2016	2015
Revenue and other income	15,352.4	13,482.6	14,761.2	13,868.5	23,292.7
Total expenses	14,209.0	13,154.8	10,766.9	9,936.5	13,520.0
Profit before income tax	1,218.9	305.4	4,077.7	3,991.5	9,846.3
Profit for the year – attributable to shareholders of the Company	567.9	103.3	3,016.5	3,013.0	7,646.5

2. Asset information

RMB: million

	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015
Total assets	204,090.3	205,779.0	205,864.4	177,637.3	197,072.8
Total liabilities	155,071.5	157,021.2	155,841.7	129,000.6	154,649.2
Accounts payable to brokerage clients	45,711.0	35,965.9	41,060.3	55,343.3	71,102.0
Equity attributable to shareholders of the Company	47,444.7	47,203.0	48,575.9	47,195.7	40,482.6
Share capital	4,610.8	4,610.8	4,610.8	4,610.8	3,906.7

3. Key financial indicators

	2019	2018	2017	2016	2015
Basic earnings per share (RMB)	0.12	0.02	0.65	0.74	2.14
Diluted earnings per share (RMB)	0.12	0.02	0.65	0.74	2.14
Weighted average returns on net assets	1.20%	0.21%	6.26%	7.29%	23.10%
Gearing ratio	69.05%	71.29%	69.65%	60.23%	66.32%
Net assets per share attributable to shareholders of the Company (RMB/share)	10.29	10.24	10.54	10.24	10.36

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

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

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

According to the data of the Securities Association of China, as of December 31, 2019, the 131 securities firms in the entire industry were principally engaged in brokerage, margin financing and securities lending, investment banking, proprietary trading of securities, asset and fund management, private equity investment and management, and alternative investment, etc. The industrial total assets and net assets were RMB7.26 trillion and RMB2.02 trillion respectively.

(all industrial information set out in this report was retrieved from the SSE and the SZSE, Wind Info, the respective membership systems of the Securities Association and the Funds Association, etc.)

(I) The Company's principal business model

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

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

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

Investment management : The Company earns management and consulting fees by providing asset management, fund management, and private equity investment management services to clients, and gains investment income from private equity investments and alternative investments and PPP business (Public-private Partnership).

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

(II) Description of industrial situation during the Reporting Period

Global economic situation: In 2019, the growth of the global economy slowed down significantly, the growth of major developed economies have declined and the emerging economies was generally sluggish. International trade and corporate investment were hindered by trade protectionism. Despite the increasingly ease monetary policies implemented by major central banks, the world still faces challenges of weak fiscal stimulus, insipid structural reform, insufficient global demand and the polarization of the rich and the poor.

China's economic situation: In 2019, with the weakening of the external economic environment, the downward pressure on China's economy increased, but the overall operation maintained stable. Main macroeconomic indicators operated within a reasonable range, with GDP increasing by 6.1%, and the employment situation remained stable. Good progress was made in the three critical battles, and the trend of economic transformation and upgrading continued. With the consistent implementation of policies, China's economy strove for progress while adhering to stability, and focused on supply-side structural reform to actively promote high-quality development.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

Overview of the capital market: In 2019, the reform to the capital market was accelerated. Regulators have constantly issued a series of new policies for capital market reforms to actively improve the shortages in direct financing. A series of new policies and measures, including the official launch of Sci-tech Innovation Board and pilot of registration system, the steady advance in reforms over GEM and the NEEQ, seeking public opinions on the new refinancing rules, reducing limits on the new rules in spin-off, the launch of Shanghai-London stock connect, MSCI increasing the weighting of Chinese A shares, the inclusion of A-share into FTSE Russell Index, the launch of China-Japan ETF Connectivity, and the new policies for asset restructuring, have been introduced, which proved that the security market has significantly recovered. During the Reporting Period, the SSE Composite Index and CSI 300 Index recorded an increase of 22.30% and 36.07%, respectively; the ChinaBond Aggregate Full Price Index slightly increased by 1.10%. The trading activities in the secondary market fully picked up. The daily average trading volume of Shanghai and Shenzhen stock markets was RMB557.6 billion, representing a year-on-year increase of 36%. The direct financing activities in the primary market saw a remarkable increase, recording a total of RMB1,532.4 billion raised through equity financing, representing a year-on-year increase of 27%. The proceeds raised from IPOs amounted to RMB253.2 billion, representing a year-on-year increase of 84%. The refinancing volume was RMB1,196.0 billion, representing a year-on-year increase of 18%. The volume of bond underwriting by securities firms amounted to RMB7.62 trillion, representing a year-on-year increase of 34%.

Industry Overview: In 2019, benefiting from such factors as the recovery of the capital market and accelerated openness of the industry, the implementation of the registration system on the Sci-tech Innovation Board and the supervisory guidance to build a multi-level capital market, the revenue from the securities brokerage, investment banking and proprietary investment and other business increased. According to the data released by Securities Association of China, the security industry recorded operating income of RMB360.483 billion in 2019, representing a year-on-year increase of 35%; and recorded net profit of RMB123.095 billion, representing a year-on-year increase of 85%, with 120 security dealers achieving profits.

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

The major assets of the Company include monetary assets, clearing settlement funds, margin accounts, 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 "II. Business Review – (I) Analysis of the principal businesses – 5. Analysis on principal components of consolidated statement of financial position" in Section IV "Report of the Board" of this report.

Of which: Overseas assets reached RMB25,264,473,721.53, representing 12.38% of the total assets.

Overseas assets arose from the investment in EBSHK, a subsidiary of the Company in Hong Kong, details of which are set out in "II. Business Review – (V) Analysis on principal subsidiaries and investee companies" of Section IV "Report of the Board" in this report.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

III. Analysis on Core Competitive Strengths During the Reporting Period

(I) Shareholder's strong background

Everbright Group, the controlling shareholder of the Company, was promoted and established by the MOF and Huijin, whose business covers the finance and industry in Hong Kong and Chinese Mainland. It has established agencies and business presence at home and abroad. It has a complete set of financial services licenses and featured businesses related to environmental protection, tourism, healthcare, high-tech industry. Everbright Group is a state-owned large-scale comprehensive finance holding group characterized by its overall finance, the integration of industry and finance, the combined advantages of Chinese Mainland and Hong Kong, included in Global 500 for four consecutive years. With the strategic objective of building a flexible, technological and ecological world-class finance holding group and under the overall industrial strategy of "Refining finance, optimizing industries and consolidating the position of the Group", Everbright Group strives to establish "four world-leading companies, three China's first-class financial institutions and three featured entities", and with focus on the strategic framework of "Four Cores and Eight Backbones" to build up the six E-SBU coordinated development mechanism of wealth, investment, investment banking, tourism, healthcare and environmental protection to make its efforts to achieve the coordinated development incorporated with quality, efficiency and scale. As a core financial service platform of the Group, the Company adheres to the business philosophy of the Group and is committed to serving for the direct financing demand of the real economy. With the new development strategy of the Group, the Company faces unprecedented development opportunities and it also will broaden its own horizon to take insight on the changes in the industry and develop the customers' demand profoundly, by virtue of the vast platform and the extensive resources.

(II) Unique coordinated gene

The scope of business of the Company includes retail brokerage, wealth management, investment banking, asset management, public offering funds, private equity funds, alternative investments, futures brokerage, financing lease and capital cooperation between the government and society. The coordinated development of each lines of business forms a complete product chain, provides a series of financial products and services to satisfy the diversified demand of domestic and overseas customers, and bring a balanced and steady income stream for the Company.

In the past few years, with the guidance of the E-SBU coordinated strategy, the Company has undertaken a deep cooperation with all subsidiaries comprising Everbright Group and has given full play to the synergetic effect in client expansion, channel exploration and the integration of industry and finance. Directed by the new long-term strategy, the Company will strive to establish a service system in "three-universal and one-innovative" industries to serve investment banks, emphasize on developing wealth and investing E-SBU, and actively participate in environmental protection, health, tourism E-SBU and coordination in major areas, and further strengthens the coordination with associated units of the Group to accelerate the integration of ecosystem and resources and expand markets into a wider sphere.

(III) Excellent innovation capability

As one of the first three innovation pilot securities companies in China, the Company has pioneering innovation advantages in many business fields and has obtained various qualifications for innovation businesses for the first batch. In recent years, the Company has enhanced its efforts to the cultivation of innovation capabilities and the transformation of creative thinking, and has promoted the overall innovation and reform by strategic layout and top design. By setting up the "Golden Sunshine" innovation prize and the "Golden Idea" award, the Company strives to create an atmosphere of innovation and foster the innovation culture. During the Reporting Period, the Company won the title of "Top 100 Company for Finance Innovation of 2019", the prize of "Charitable Innovation Company for the Year" and other prizes.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

In recent years, the Company has continued to optimize its financial scientific strategy and propel the transformation and implementation to promote its business development through technology and innovation empowerment. During the Reporting Period, the Company was the first in the industry to complete building a comprehensive counter service platform – “E Counter” with sound functions, advanced technologies and convenient operations, as such, all domestic branches and operation segments have achieved the concentrating operation which are one-stop service for its counter business, paperless and across the whole process. Furthermore, the AI basic service platform of the Company has initialed a series of functions for the Company, including intelligent voice, image identification, face recognition and intelligent calling. During the year, the Company won the title of “Top 10 Innovation Prize in the Security industry”.

(IV) Marketing talent mechanism

The Company’s workforce comprises high-quality staff, young and energetic talent, and efficient and competent cadres. In 2019, the Company carried out the reform on human resource mechanism and deeply implemented the idea of “Six Flexibility” to construct a marketing talent mechanism of “Flexible Recruitment and Dismissal, Flexible Promotion and Demotion, and Flexible Treatment”. During the Reporting Period, the Company recruited staff around the world to expand its senior management team and facilitated the “de-bureaucracy” reform to improve the operating efficiency and motivate talents to make teams strong. The Company also introduced “Soliciting Talents Scheme” and four talent soliciting programme to formulate a selection and recruitment mechanism better for brilliant talents differentiating from others and take full advantage of all talents.

SECTION IV REPORT OF THE BOARD

The Board hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2019. All relevant sections of this report referred to in this Report of the Board form part of this Report of the Board.

I. Discussion and Analysis on Business Operation

Facing complex and ever-changing market environment, the Company, under the firm leadership of the Party Committee and the Board of the Company, has closely focused on the main line of work of “value creation” and effectively grasped the cyclical trend in the market and structured industry conditions, thus achieving the consistent rapid development with the industry by deeply carrying out the “remaining true to our original aspiration and keeping in mind our mission” thematic education activities to unify ideas and understanding, and building development consensus in a great effort to resolve disposal risks and restructure operation and management mechanism. In 2019, the Company realized total revenue and other gains of RMB15.352 billion, representing a year-on-year increase of 13.87%; and net profit attributable to the shareholders of the parent company of RMB568 million, representing a year-on-year increase of 449.68%.

II. Business Review

(I) Analysis of the principal businesses

1. Segment revenue and segment expenses

Table 1 Table of the principal businesses by segments

Unit: RMB' 000

Item	2019				2018			
	Segment revenue		Segment expenses		Segment revenue		Segment expenses	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Brokerage and wealth management business	3,057,078	20%	2,273,865	16%	2,509,182	19%	2,095,681	16%
Credit business	3,170,494	21%	2,466,177	17%	3,586,780	27%	2,452,737	19%
Institutional securities services	4,384,774	29%	1,979,986	14%	2,722,223	20%	2,076,923	16%
Investment management business	1,454,137	9%	3,500,644	25%	2,162,124	16%	2,861,161	22%
Overseas business	1,613,982	11%	1,871,362	13%	1,684,716	12%	1,677,765	13%

In accordance with the Regulations on the Management of Overseas Establishment of, Acquisition of, and Shareholding in Operating Institutions of Securities Companies and Securities Investment Fund Management Companies, the transactions between the Company and its overseas subsidiaries are as follows: the internal transactions of the Company in asset accounts as at the end of 2019 amounted to RMB2.10 million, involving accounts receivable, and the internal transactions of the Company in liability accounts amounted to RMB98.14 million, involving payments for securities trading on behalf of customers and other payables.

SECTION IV REPORT OF THE BOARD

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

1. Brokerage and wealth management

The brokerage and wealth management business segment comprises securities brokerage business, wealth management business, Internet finance business and futures brokerage business. In 2019, the segment realized an annual income of RMB3.1 billion, accounting for 20% of the Group's total revenue.

(1) Securities and brokerage business

Market environment

In 2019, benefiting from the recovery of the A-share market, investor confidence continued to recover, and the trading volume has therefore increased. The aggregate daily average market trading volume of stocks and funds was RMB557.6 billion, representing an increase of 36% on a year-on-year basis. The brokerage business income and profits both increased significantly year-on-year. As the increasingly fierce competition in the brokerage market and the growing momentum of the leaders in the industry, the commission rate of the brokerage business continues to decline, and the number of brokerage business departments has steadily increased, causing more intense competition in winning potential customers. Many brokerages have started the transformation towards wealth management, with an aim to seek the diversified development of brokerage business.

Operation initiatives and results

In 2019, the Company's securities brokerage business has, by focusing on the transformation towards wealth management, created a new customer service system. It has seized new business opportunities in the market to support the four major sub-projects through customer relationships, team building, product implementation, and tool support, and promoted the in-depth construction of customer service systems from multiple aspects, so as to improve customer transaction experience, product experience, consulting experience, and service experience, thus continuing to promote business transformation. To strengthen basic business foundation, the Company has organized a series of marketing activities, including "Kai Men Hong", "Bu Bu Gao" and "Bai Ge Zheng Liu" activities, to strengthen, enlarge its customer base and adjust the business structure. To strengthen the construction of the marketing team training system, optimize performance assessment, the Company has built a three-level training system for its branches, and cultivated an elite wealth management team. To promote the building of product systems, the Company has taken the needs of customers as the guide, integrated internal and external resources, given full play to the advantages of Everbright Group, continuously digged into product's performance, and extended product line, thus creating core competitiveness for business transformation. To empower online and offline businesses, the Company has taken use of fintech tools. It also implemented differentiated management of branches, and took into account the characteristics of various regions to optimize the layout of branches. On the basis of consolidating the advantage of traditional brokerage business, it has actively seized new business opportunities in the market to diversify income sources.

SECTION IV REPORT OF THE BOARD

As of the end of 2019, the Company had 14 domestic branch companies and 266 securities branches. The market share of net income from securities trading on behalf of customers (including seat commissions) dropped two places lower in the market ranking, standing at No.14, as compared to the end of 2018. However, after excluding seat commissions, the market share dropped one place to No.16 compared to the end of 2018. The sales of the Company's financial products continued to grow for several consecutive years. The total size of financial products sold in the 2019 was RMB68.3 billion, representing a year-on-year increase of 12%. Income of options business recorded a year-on-year increase of 52%.

Outlook for 2020

In 2020, the Company's brokerage business will take "strengthening business foundation and enhancing value" as its core strategic orientation, and continuously strengthen the customer base through multi-channels, continue to deepen and promote the construction of customer service systems, raise the quality of customer service, so as to improve customer experience, optimize the business structure, broaden business channels, enlarge assets, and continuously strengthen the business foundation. The goal is to give full play to the synergies of Everbright Group to seize market opportunities, and actively promote the transformation from brokerage business to wealth management business.

(2) Wealth management business

Market environment

In 2019, the main stock indexes rose sharply, but the market was highly differentiated, which placed higher requirements on the professional abilities of investors. After the implementation of the new rules on asset management business, compulsory repayment has gradually been got rid of, and the proportion of net-worth products has increased rapidly. With the continued inflow of foreign capitals, indexed, quantified and valued investment methods has gradually become mainstream. High-net-worth clients have increasingly demands for professional wealth management services, and have put forward higher requirements on wealth management institutions' product evaluation, asset allocation, and risk control. A number of large brokers adjusted the organizational structure of their business structure, focusing on the wealth management business.

Operation initiatives and results

In 2019, the Company's wealth management business continued to leverage its professional advantages in financial engineering, and constantly improved the wealth management model with quantitative management as the main approach and asset allocation among key asset classes as the core to facilitate the transformation of the Company's brokerage business towards wealth management business. It comprehensively promoted the construction of the financial product system by optimizing the processes, systems, and tools to ensure the efficient operation of product introduction, and to enrich the Company's financial product types and quantities. The famous "Golden Sunshine Wealth Management Plan" has recorded excellent performance in income-generating, which strongly supported the branches' service to transaction customers. The Company has been awarded the Best Wealth Management Broker of the Year 2019 in the ranking list compiled by the Eastmoney.com. The Company launched the work of creating a private equity fund of funds (FOF) of the Everbright brand, providing standardized products with different risks and returns, and customized services according to the financial needs of high-net-worth customers.

SECTION IV REPORT OF THE BOARD

Outlook for 2020

In 2020, the Company's wealth management business will continue to focus on the financial product system, improve the quality of the "Golden Sunshine Wealth Management Plan" and the Company's consulting product system, continue to create high-quality product "Jinfuzun FOF" in private equity configurations and "Jinfuzun Account" in public fund configurations, and implement the Investment Advisory Elite Program. The Company will develop a series of capabilities centering on financial engineering, and carry out in-depth research in the following five areas: product evaluation, asset allocation, total quantity quantification, quantitative stock selection, and quantitative time selection to form its core competitiveness and support its product system construction.

(3) Internet finance business

Market environment

With the continuous application of FinTech in the field of wealth management business, FinTech will effectively empower brokers to transform their wealth management model, and wealth management services will become more digital and intelligent. Brokers will accelerate their digital transformation and build their core competitiveness in platformization, systemization, digital operation and customer operation. The Company will make customer operations more refined and empower employees through digitization, provide more targeted and efficient service to customers through intelligent devices, thereby achieving cost reduction, efficiency enhancement, the extension of customer base, customer experience upgrading and risk control through FinTech, forming differentiated competition advantage in FinTech application.

Operation initiatives and results

In 2019, the Company continued to improve and optimize the function and content of "Golden Sunshine" APP, and its monthly active number has hit a new record. The App won the Most Valuable Investment Advisor Award for Chinese Brokers APP, Annual Outstanding Financial Brokers App of the Year at the 17th Financial and Economics Lists in Hexun.com, and the Most Popular App among Users at the 2019 Brokers App Lists in Sina Finance. Through targeted digital marketing, systematic operation enables online and offline collaborative exhibitions. During the year, 50 MOT events and 15 marketing scenarios were launched, serving nearly 40 million users.

In terms of platform operations, the Company has created a product called Everbright Securities Store. With the advantages of convenience of WeChat mini-program, it supported wealth managers to market relevant products through WeChat social ecosystem, providing fission marketing tools. Taking special events such as the "8.18 Wealth Management Festival" as opportunities, the Company promoted online and offline operation collaboration. It further promoted the construction and operation of intelligent customer service and intelligent after-sales visit platforms, and changed the monotonous phone-based service model, thus making customer services more intensive, intelligent and automated.

Outlook for 2020

In 2020, the Company's Internet finance business will center on products and services, based on a digital operation service system, supported by customer services of all channels, driven existing customer services by targeted marketing, and driven new customer growth by products and service, building a digital wealth management development model combining online and offline. In the future, it will continue to build three core capabilities to enable a trinity of empowering customers operation, and at the same time comprehensively strengthen the synergy effect with the Everbright Group, increase the varieties of services and the customers' loyalty to our platform, so as to promote the continuous development of the Internet financial business of the Company towards being more digital, intelligent, and ecological.

SECTION IV REPORT OF THE BOARD

(4) *Futures brokerage business*

Market environment

In 2019, China's futures market ushered in a critical period of policy promotion and accelerated development. The number of new listings of products in the year reached 15, hitting the highest in history, and two futures companies successfully listed through initial public offering. According to statistics from the China Futures Association, the overall operating results of futures companies in 2019 is that the number of products was increased, while the income was not generated from it. On the one hand, benefiting from the loosening of stock index futures regulation and the accelerated listing of new varieties, the market transaction volume increased by 37.82% on an year-on-year basis. On the other hand, subject to intensified competition in fee rates and the decline in capital interest rates, as of the end of December 2019, net profit in the entire market fell by 5.95% on an year-on-year basis.

Operation initiatives and results

In 2019, facing a challenging market environment, Everbright Futures has improved its mechanism construction, clarified its strategic layout to seek innovative breakthroughs. Through a series of measures taking at the same time, including strengthening the linear management, and the liquidity management of its own funds, promoting institutional business development, and reshaping risk management business, the Company has achieved the enhancement of corporate value. As of the end of December 2019, Everbright Futures had recorded a daily average margin of RMB11.22 billion, with its trading volume representing a market share of 2.34%, increasing by 12.54% and 5.88% as compared with that of the end of 2018, respectively. The trading volume of Everbright Futures represented 2.15%, 1.45%, 3.56%, 3.29%, and 0.81%, respectively, of the total trading volume of China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and the Energy Center. Its cumulative trading volume of SSE 50ETF stock options represented a market share of 2.68%, ranking 4th among futures companies and 12th in the whole market.

Outlook for 2020

In 2020, Everbright Futures will adhere to the original source of futures brokerage business, comprehensively optimize its institutions and product channels, enrich the international business, accelerate innovation, transformation and development, with an aim to achieve business industrialization, institutionalization, and productization. At the same time, it will carry out in-depth collaboration and take use of the comprehensive advantages of China Everbright Group to build a comprehensive risk management and wealth management platform, enhance the ability to serve the real economy, and make Everbright futures brand stronger.

2. **Credit business**

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In 2019, this business segment realized an income of RMB3.2 billion, accounting for 21% of the Group's total revenue.

(1) *Margin financing and securities lending*

Market environment

With the recovery of the A-share market, the scale of margin financing and securities lending markets in 2019 has increased overall compared to 2018. As of the end of 2019, the balance of margin financing and securities lending in the whole market was RMB1,019.285 billion, representing an increase of 34.88% as compared with the end of 2018, among which the balance of margin financing and securities lending was RMB1,005.504 billion and RMB13.78 billion, respectively, representing an increase of 34.25% and 105.02% as compared with the end of 2018, respectively.

SECTION IV REPORT OF THE BOARD

Operation initiatives and results

In 2019, the Company adopted active and effective operating measures by focusing on high-net-worth customers and institutional customers, and resolving and eliminating business risks in an active and steady manner to increase the scale of margin financing and securities lending business. As of the end of 2019, the balance of the Company's margin financing and securities lending was RMB27.432 billion, recording a year-on-year increase of 21.9%, accounting for a market share of 2.69%. The balance of the securities lending of the Company was RMB154 million, accounting for a market share of 1.12%.

(2) Collateralized stock repurchase transactions

Market environment

Affected by the frequent risk exposure of the collateralized stock repurchase business since the second half of 2018, the scale of the business in the whole market continued to decline in 2019. According to the data in the 2019 Issue Three Collateralized Stock Repurchase Risk Analysis Report released by the Shenzhen Stock Exchange, as of the end of November 2019, the balance of the collateralized stock repurchase financing in the Shenzhen Stock Exchange and Shanghai Stock Exchange was RMB942.9 billion, representing a decrease of 19.14% from the end of 2018. Among them, according to the statistics of the China Securities Industry Association, as of the end of November 2019, the lending of securities firm's proprietary funds amounted to RMB460.679 billion, representing a decrease of 25.47% as compared with the end of 2018, and accounting for 48.86% of the total collateralized stock repurchase transactions. With the launch of a series of policies such as rescue funds and the rise of major stock indexes in the Shanghai Stock Exchange and Shenzhen Stock Exchange in 2019, the risks of this business segment have been relieved to a certain extent, and the overall market risk can be under control.

Operation initiatives and results

In 2019, the Company continued to optimize the collateralized stock repurchase business structure, strictly controlled the entry and quality of projects, and strived to reduce business risks. As of the end of 2019, the scale of collateralized stock repurchase business of the Company was RMB11.537 billion, of which the investment of the Company's proprietary funds amounted to RMB6.285 billion and the average maintenance margin ratio was 227.80%; the investment scale of asset management products was RMB5.252 billion.

Outlook for 2020

In 2020, the Company will keep abreast of the market development of credit business under the premise of strict control of its business risks, continue to develop the margin financing and securities lending business, and constantly optimize the collateralized stock repurchase business. In terms of margin financing and securities lending business, the Company will continue to focus on institutional customers and high-net-worth customers, and strengthen strategic services in order to seize opportunities for securities lending business development. In terms of collateralized stock repurchase business, the Company will strengthen the linkage with the Company's investment bank and investment sector to cultivate core value customers and to create effective value.

(3) Financing leasing business

Market environment

Since 2019, affected by external environment including the change of pace in economic growth, deteriorating credit environment, and frequent risk events, the growth rate of financial leasing industry's overall scale, number of entrepreneurs and the scale of registered capital and other indicators have slowed down significantly.

SECTION IV REPORT OF THE BOARD

Operation initiatives and results

In 2019, Everbright Leasing adhered to the bottom line of comprehensive risk management. While maintaining the steady growth of traditional financial leasing business, it insisted on professional operation and actively carried out innovative transformation. In 2019, Everbright Leasing completed investment in a total of 22 new projects with annual investment amount of RMB812 million, cumulatively completed investments with a total investment amount of RMB13.2 billion and cumulatively generated rental income of RMB10.08 billion and the balance of financial lease receivables amounted to RMB3.76 billion at the end of the Reporting Period.

Outlook for 2020

Looking forward to 2020, the interim measures for the supervision and management of financial leasing will soon be introduced, and the industry is facing a new round of changes. Everbright Leasing will give play to its business synergy advantages, strengthen risk management, and orient itself a proper position to serve the real economy.

3. Institutional securities services

The institutional securities business segment comprises investment banking, institutional trading, prime brokerage business, investment research and proprietary trading businesses. In 2019, the institutional securities services segment realized income of RMB4.4 billion, accounting for 29% of the Group's total revenue.

(1) Investment banking

Market environment

Since 2019, the new regulatory policies related to investment banks have been continuously introduced, and the pilot registration system for the Sci-tech Innovation Board has promoted reforms at all levels such as issuance, listing, mergers and acquisitions, information disclosure, and delisting. The reform of the GEM and the NEEQ has also been steadily progressing. Owing to the deepened reform, China's capital market has entered a new era of marketization and legalization. According to statistics from Wind Info, the total amount of the proceeds raised from A-share equity financing in 2019 was RMB1,532.4 billion, which increased by 27% as compared to the previous year. The amount of proceeds raised from IPOs was RMB253.2 billion, increasing by 84% as compared to the previous year. The number of IPOs in the full year was 203, which increased by 93% from last year. The proceeds raised from refinancing was RMB1,196 billion, representing an increase of 18% as compared to last year.

In 2019, the bond market was obviously volatile, with 178 bond defaulting, representing an increase of 42% as compared to last year. The total amount of defaults was RMB142.4 billion, increasing by 17.8% from last year. Market default events further spread, especially high default rates of the private enterprises which increased the difficulties in bond underwriting business. With the significantly intensified market competition, resources were further concentrated to large brokers, and competition for the market ranking of underwriting scale was becoming increasingly fierce. In 2019, the size of bonds underwriting by securities firms was RMB7.62 trillion, up by 33.92% from the previous year.

In 2019, the market size of the NEEQ continued to shrink, and the growth of quoted companies slowed down, while the number of delisting companies increased sharply. The volume of market-making transactions on the NEEQ rose steadily, the NEEQ constitutional index basically remained stable, and the NEEQ market-making index rose slightly. The financing market continued to shrink, with both the number and scale of financing falling significantly. The CSRC announced the launch of the comprehensive deepening reform of the NEEQ and the introduction of related supporting rules, marking the official kick off of the comprehensive deepening reform.

SECTION IV REPORT OF THE BOARD

Operation initiatives and results

In 2019, adhering to the core of “value creation”, the Company promoted its business development through reform and innovation and vigorously advanced the institutional reform of its Investment Banking Business Department. Under favorable industrial policies, the Company increased market expansion and grasped opportunities brought by the Sci-tech Innovation Board. Basing on existing customers, the Company expanded regional promotion to key areas, deeply cultivated regional markets and formed investment banking business advantages in key areas. The Company has played a leading role in implementing synergy strategies among investment banks and pushing forward high-quality innovation and coordinated development of investment banking business.

In 2019, the Company completed securities underwriting for 14 companies and ranked No. 15 in the market, moving up 7 places as compared to last year. The underwriting amount of equities amounted to RMB9.821 billion, representing an increase of 21% as compared with the same period of last year (excluding number and amount of underwriting of exchangeable bonds). Among them, the Company completed IPO underwriting for five companies, with an underwriting amount of RMB2.158 billion. The Company completed refinancing transactions for five companies, with an underwriting amount reaching RMB6.368 billion, and completed mergers and acquisitions and reorganization transactions for two companies and provided financial consultant services for five companies. As at the end of 2019, the Company had 3 projects approved in the Sci-tech Innovation Board. The Company increased its equity financing project pipelines. According to the statistics from Wind Info and the Company, as at the end of 2019, the Company had 17 IPO projects pending for approval (including projects in the Sci-tech Innovation Board), ranking No. 9 in the industry, 7 of which were approved, and 2 of which are pending for approval in the Sci-tech Innovation Board. 4 mergers and acquisitions projects are pending for approval, 3 of which were approved. 6 refinancing projects are pending for approval, 1 of which was approved.

In 2019, the number of corporate bond underwriting projects of the Company was 1,090, up by 74.96% as compared to last year. The underwriting amount was RMB323.775 billion with the market share of 4.42%, ranking 7th in the industry. The underwriting amount of asset securitization of the Company amounted to RMB105.312 billion with the market share of 4.68%, ranking 6th in the industry.

Table 1 : The underwriting amount and number of issued projects of major types of bond of the Company

Type of bonds	Underwritten		
	amount (RMB100 million)	Number of issued projects	Industry ranking
Interbank products (including medium-term notes, short-term financing bonds and private placement notes)	566.87	128	4
Corporate bonds	786.14	131	8
Asset securitization	1,053.12	274	6
Non-policy financial bonds	632.46	30	9
Local government bonds	199.16	526	7

In terms of innovative financing projects for bond underwriting business, the Company completed the first domestic central enterprise innovative ABN project, the first domestic infrastructure REITs project, the first 10 billion shelf offering of commercial REITs project, the first final payment of shelf offering of central enterprise ABN project, and the first central enterprise debt reduction ABN project. At the same time, the Company is pushing forward the first batch of central and state-owned enterprises innovative projects, and maintaining the leading position in the innovation market of asset securitization business. The Company's asset securitization business has successively won awards such as the Special Contribution Award of the Fifth China Securitization Forum, the Asset Securitization Jiefu Awards, and the Leading Underwriter of the Year of China Financial Frontier Forum.

SECTION IV REPORT OF THE BOARD

The Company has sufficient corporate bond underwriting projects. As at the end of December 2019, the number of corporate bond projects to be issued was 144; the number of projects pending approval was 80; the number of reserve projects that have been already initiated and internally approved was 167.

In 2019, the Company had recommended a total of 264 companies to be quoted on the NEEQ as the lead sponsor, ranking 16th in the industry. There was one company whose shares were newly quoted on the NEEQ with the Company's recommendation. The total amount of financing from stock issuance on NEEQ was RMB539 million. The Company continuously supervised 183 NEEQ enterprises, among which 13 enterprises entered the innovative level. As of the end of 2019, the Company provided market-making and quotation services for 4 NEEQ quoted companies.

Outlook for 2020

In 2020, the Company will seize the opportunity of replication and promotion of the registration system reform to conduct all kinds of IPO businesses, seize the relevant market opportunities after new regulations of re-financing and M&A and reorganization have been implemented, further promote the balanced development of investment banking business, deeply cultivate areas and research industries to foster competitiveness of the Company in terms of investment banking area and industry, build a "star" team, strengthen the industry group construction to promote the professional development, and comprehensively improve the pricing and sales capabilities of investment banks.

In 2020, the Company will actively adjust the service strategy of its bond underwriting business in response to the demand and changes in the bond market. The Company will strongly push forward local bond businesses and urban construction investment bond businesses with advantageous features, deeply cultivate key areas to increase coverage and balance of underwriting business, continuously implement major customer strategy and search for business opportunities in the reform and reorganization of central enterprises and capital operation, seize market opportunities in asset securitization business to develop innovative products and increase company influence, and further strengthen capabilities of bond sales in order to successfully conduct underwriting business.

In 2020, the Company will grasp the market opportunities brought by the comprehensively deepening reform of the NEEQ, to promote the public offering business in the selected layer of the NEEQ; continue to 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, and develop NEEQ transfer projects; and tap into back-end opportunities from mergers and acquisitions and reorganizations, financial advisory and financing underwriting, with a view to expanding income sources.

(2) Institutional trading

Market environment

In 2019, the competition among industrial institutes on seat commission was increasingly fierce. Apart from investment and research demands, institutional clients gradually paid more attention to the investing and product sales ability of securities traders. In order to meet the diversified demands of customers, the business modes of security agencies were enriched, and the income space of capital intermediaries was expanded.

SECTION IV REPORT OF THE BOARD

Operation initiatives and results

In 2019, facing both opportunities and challenges, the Company strengthened the nationwide research service planning, promoted cross-selling across departments, strove to conduct the main agency commission business, and actively explored effective ways to build a comprehensive service platform for institutions. In 2019, the Company achieved an internal share of 3.71% in sub-sectors of funds, representing an increase of 7.23% as compared to the previous year, achieving a historic breakthrough. As of the end of December 2019, the market share of net income from seat commission was 3.80%, representing a decrease of 2.56% as compared to the previous year. As of the end of June 2019, the commission income of the Company's mutual fund ranked 7th in the industry.

Outlook for 2020

In 2020, the Company will continue to improve refined management system and strengthen team building for the institutional trading business. It will continue to consolidate basic businesses while pushing forward non-traditional businesses. Meanwhile, the Company will fully launch cross-selling and make great efforts to build a comprehensive service platform for institutions.

(3) Prime brokerage business

Market environment

In 2019, with the loosening of stock index futures, increase of new types of options and implementation of industry regulatory policies such as new management rules for MOM, the market ecology was improved, and brokerage business encountered new development opportunities. At the same time, with the successive opening of wealth management subsidiaries of major commercial banks and their deployment of new products, banks (as funding parties), trusts and private funds (as assets) became the development focus of prime brokerage business.

Operation initiatives and results

In 2019, the Company focused on commercial banks and wealth management subsidiaries, trust companies and large private equity customers, and provided comprehensive high-quality one-stop integrated services centered on investment research, financial product evaluation, FOF/MOM investment, and system trading to create the prime brokerage service market brand of the Company. As at the end of December 2019, the Company had cumulatively cooperated with a total of 944 private equity institutions, representing a year-on-year increase of 18%, introduced a total of 2,356 PB products, representing an increase of 23% as compared to the previous year. The new PB products filed for approval reached RMB139.084 billion, representing an increase of 34% as compared to the previous year, among which the size of new bank wealth management products amounted to RMB95.954 billion. There were 1,413 existing PB products, representing a year-on-year increase of 12%. The size of existing PB products filed for approval amounted to RMB303.983 billion, representing an increase of 49% as compared to the previous year.

Outlook for 2020

In 2020, in terms of the prime brokerage business, the Company will thoroughly implement the operation principle of customer-centric, comprehensively integrate internal and external resources, and create an exclusive service system. At the same time, the Company will continue to focus on commercial banks and wealth management subsidiaries, trust companies, and private equity institutions to closely fit the market environment and meet the business needs, enhance the Company's professional and differentiated advantages in one-stop integrated services such as investment research, financial product evaluation, FOF/MOM investment and system trading, improve customer experience and create an industry-leading brand.

SECTION IV REPORT OF THE BOARD

(4) *Investment research business*

Market environment

In 2019, the operation of mainstream brokerage research business shifted from purely external competition in the evaluation era to relying on platforms and company strategies to achieve distinctive operations.

Operation initiatives and results

In 2019, the Company made efforts to create a market-oriented and professional research business, thus making steady progress in market competition. Adhering to a unique positioning of “cross-market and cross-category asset allocation advisory capabilities driven by macro-capacity” in the investment research business, the Company focused on “developing Everbright branded research products”. Throughout the year, the Company held four large investor strategy conferences and certain large and medium-sized investor forums, released a total of 5,403 research reports, provided 21,851 roadshow services, conducted 973 joint researches and provided a number of cross-industry and cross-region joint researches, experts communications, teleconferences, salons and other investment research services. As of the end of 2019, the Company tracked and researched 672 A-share listed companies and 144 overseas listed companies. Throughout the year, the Company won 24 awards in total, including New Fortune, Crystal Ball and Best Analyst of Shanghai Securities News, with market influence continuing to increase.

Outlook for 2020

In 2020, the Company’s investment research business will continue to make aggregate research a Everbright feature, strengthen market strategy research, promote the adjustment of talent structure, enhance key customer services, expand market competitiveness and revenue generation in core research areas, and continuously increase the value of vendors research. The Company will continue to conduct independent research, provide reasonable pricing for companies in the Sci-tech Innovation Board, and offer customers high-quality investment research services.

(5) *Securities proprietary trading business*

Market environment

In 2019, the risk preference of A-share market was significantly recovered, with CSI 300 Index increased by 36% throughout the year. There were expansions in the exchange-traded derivatives market: the SSE, SZSE and China Financial Futures Exchange launched 3 new options in total at the end of the year. As to over-the-counter option market, competition was intensified while yield was declined due to tightening regulations and increasing barriers to entry for investors. In 2019, the bond market fluctuated within a narrow range, with the bond defaults occurring frequently, and credit risk increasing.

Operation initiatives and results

In 2019, the Company’s proprietary trading of equity focused on reshaping business processes and strengthening the risk control system to comprehensively improve the quality and ability of investment research and achieved remarkable investment returns. Among them, the yield of equity investment businesses significantly outperformed the market. In terms of quantitative derivatives, the business breakthrough point was identified. The Company focused on the cultivation and improvement of the trading desk’s hedging ability to further consolidate business foundation. The Company has repeatedly obtained the AA rating of the Market Maker of SSE 50ETF Options, and has successfully obtained the lead market maker qualification of the new ETF options on the SSE and SZSE and the market maker qualification of the stock index options on the China Financial Futures Exchange.

SECTION IV REPORT OF THE BOARD

In 2019, the Company's fixed income investment business further enhanced investment research capabilities, improved professional division of labor, timely adjusted the position structure, and enriched bond investment strategies. At the same time, it strengthened the internal credit rating system and compliance system construction, and strictly controlled credit default risks. The Company enriched debt financing methods through income receipts, gold leases and other methods, and also provided customers with safe and reliable investment products.

Outlook for 2020

In 2020, in terms of the equity proprietary trading business, the Company will further enhance investment research capability, conduct in-depth research, select individual stocks subtly, and make prudent decisions to strive to create stable investment returns. At the same time, the Company will continue to improve strategy development and exchange-traded hedging capabilities to lay the foundation for further strengthening quantitative derivatives business. The fixed income investment business will continue to strengthen market research, strictly control credit risk, continue to optimize the position structure of credit bonds, and improve basic returns. The Company will increase portfolio income through swing trading while interest rate fluctuates, market neutral strategies, and convertible bond investment.

4. Investment management business

The investment management business includes the asset management business, fund management business, private equity investment business and alternative investment business. In 2019, the segment realized income of RMB1.5 billion, accounting for 9% of the Group's total revenue.

(1) Asset management business

Market environment

In 2019, with the implementation of new regulations and rules on asset management and corresponding supporting rules, various asset management businesses has been made accelerated adjustments gradually returning to the origin of active management. At the same time, with the gradual entry of foreign-controlled securities firms and wealth management subsidiaries of banks, the competition in the asset management industry has become more intense. In the transformation and transition of the big asset management industry, focusing on active management capabilities and building differentiated core competitiveness has become a new trend.

Operation initiatives and results

In 2019, Everbright Asset Management continued to strengthen its investment and research capabilities and team building, enhanced its active management capabilities, enriched its product types and investment strategies and improved product performance. Meanwhile, Everbright Asset Management adhered to compliance and sound operation, promoted the rectification of massive collective products and existing private equity products in an orderly manner, and successfully completed the public offering transformation of one massive collective product. As at the end of December 2019, the total assets under management (AUM) of Everbright Asset Management amounted to RMB243.888 billion, of which the assets under active management reached RMB152.17 billion, accounting for 62.39%, and the average monthly active management size was RMB154.613 billion. In 2019, Everbright Asset Management as manager had conducted eight new asset securitization projects with an aggregate issue size of RMB29.565 billion.

SECTION IV REPORT OF THE BOARD

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

Product types	AUM (RMB100 million)	year-on-year percentage changes
Collective Asset Management Scheme	758.41	+1.77%
Designated Asset Management Scheme	1,384.82	-21.04%
Specific Asset Management Scheme	295.65	-25.80%
Total	2,438.88	-15.83%

Source: internal statistics of the Company

Outlook for 2020

In 2020, Everbright Asset Management will strictly regulate the existing business in accordance with the regulatory requirements, accelerate the transformation of public issuance and actively promote business transformation. At the same time, Everbright Asset Management will further strengthen product innovation capabilities and investment and research capabilities, optimize product layout, stabilize high-performance products, and provide customers with quality comprehensive services.

(2) *Funds management business*

Market environment

In 2019, the mutual fund sector remained in a stable growth, and the size of mutual asset management continued to grow slightly. According to the statistics from Wind Info, as at the end of 2019, the AUM of mutual funds amounted to RMB14.8 trillion, including ETF feeder funds, representing a year-on-year increase of 11.38%. Driven by the recovery of the capital market and the promotion of a number of blockbuster products in the mutual fund sector, the management size of mutual fund sector continued to increase.

Operation initiatives and results

In 2019, Everbright Pramerica proactively promoted the steady development of the Company's various businesses. In terms of AUM, the AUM of equity funds slightly increased because the Company actively promoted the continuous marketing of high-performance products and the launch of products from key channels. Through strengthening efforts to development institutional customers, the AUM of bond funds remained basically stable. At the end of December 2019, the AUM of mutual funds of Everbright Pramerica was RMB86.176 billion, and the AUM of specific funds amounted to RMB18.605 billion. By actively promoting the continuous marketing of high-performance products and the launch of products from key channels, the scale of the Company's mutual funds excluding currency funds and wealth management funds was steadily increased. In terms of product layout, the scale of Everbright Pramerica's mid-low-risk-return products has grown rapidly. Based on the market allocation hotspots of policy-based financial bond, the bank's wealth management needs and the investment requirements of the Sci-tech Innovation Board, the Company actively marketed the corresponding products and promoted the rapid growth of a series of products, which won a good reputation in the market. In terms of investment research results, certain equity and fixed income products of Everbright Pramerica had outstanding performance. Its outstanding funds such as industry rotating hybrid funds, medium and high-grade bond funds, and Yin Fa business opportunity hybrid funds were ranked in the forefront.

SECTION IV REPORT OF THE BOARD

Outlook for 2020

In 2020, Everbright Pramerica will consolidate investment and research capabilities as the basis for conducting business, drive product layout with product strategy, accurately grasp the rhythm of product issuance, actively promote the continuous marketing of high-performance products, dig deep into the needs of institutional customers, continue to promote the development of retail business, expand e-commerce and other emerging sales models, and strive to achieve sustainable development of the Company's business in the constantly developing market environment.

(3) Private equity investment business

Market environment

In 2019, the overall private equity fund industry remained sluggish. Fund raising and investment continued to shrink, and industry risks were released in an orderly manner. Market downturn and risk release have created conditions for the sustainable development of the industry. Under the effects of regulatory policies, securities firms experienced certain changes in the private equity fund sector such as the transformation of business types, more regulated and orderly development of the industry, and increasing marketization and investment capability.

Operation initiatives and results

In 2019, for direct investment projects and existing fund business, Everbright Capital took proactive measures to rectify such business to ensure they are in line with the regulatory requirements, strengthened post-investment management of the investment projects and actively and properly addressed specific risks.

In 2019, Everbright Development proactively facilitated a stable development of each business. With the lineage of "Funds + ABN" products, Everbright Development made full use of the comprehensive finance advantages of Everbright Securities to strengthen internal coordination and complete project implementation. Meanwhile, it highly conformed to the strategic decision-making deployment of "the integration of Beijing-Tianjin-Hebei" of the central government, effectively promoting the successful reduction of debt and leverage of state-owned enterprises, and enhanced the capability of financial industry to serve the real economy.

Outlook for 2020

In 2020, Everbright Capital will enhance post-investment management of existing direct investment and fund business to strengthen risk management and control capabilities, and through focusing on science and technology funds, buy-out funds of listed companies and industrial development funds it will orderly advance the reserve work for newly established funds. Everbright Development will continue to strengthen internal linkages by replicating the cooperation model that has been successfully implemented, and accurately grasp customer financing needs and rhythms with centering on high-quality customer resources to further improve product models and transaction structures, and deepen business cooperation.

(4) Alternative investment business

Market environment

In 2019, under the influence of the political and economic environment at home and abroad, competition in the equity investment industry has intensified. Regulators have frequently issued policies to support equity financing, and policies on corporate refinancing and asset restructuring have been relaxed. The Sci-tech Innovation Board, the selected layer of the NEEQ, and the registration system have been successively introduced, which enriched the withdrawal channels for equity investment institutions and also brought new round of investment opportunities in the field of technological innovation.

SECTION IV REPORT OF THE BOARD

Operation initiatives and results

In 2019, Everbright Fortune proactively explored the business development direction, reshaped business positioning, adjusted the business layout, implemented the “three-universal and one-innovative” industrial strategy with focusing on investments in areas such as universal environmental protection, universal tourism, universal healthcare and innovative technology. It strengthened business synergy with investment banks and actively participated in the issuance of strategic placement of the Sci-tech Innovation Board. It also enriched post-investment management staff, and implemented refined management of post-investment, delegator system and project manager accountability system to ensure the safe and orderly withdrawal of projects.

Outlook for 2020

In 2020, Everbright Fortune will actively carry out follow-up investment in the Sci-tech Innovation Board and equity investment business to strengthen business linkage. It will strengthen the industry research capabilities of the investment team, and look for high-quality investment targets and investment opportunities covered in the industries based on in-depth industry research. It will strengthen the construction of a professional post-investment management team, manage to conduct post-investment management of existing projects, seize market opportunities such as the Sci-tech Innovation Board, the innovative layer of NEEQ, and the registration system to ensure the safe and orderly withdrawal of projects.

5. Overseas business

In 2019, this business segment realized income of RMB1.6 billion, accounting for 11% of the Group’s total revenue.

Market environment

In 2019, affected by the political and economic environment and major global securities markets, the Hang Seng Index continued to decline after reaching a peak in the year, and rebounded slightly at the end of the year. In 2019, the average daily turnover of the Main Board and GEM of the Hong Kong Stock Exchange was HK\$87.155 billion, representing a decrease of 18.86% as compared to the previous year. The market was in a wait-and-see mode. In 2019, the total number of newly listed companies in the Hong Kong stock market was 183, representing a year-on-year decrease of 16.06%. The total amount of fund raising for the year (including IPO and post-listing) was HK\$451.982 billion, representing a year-on-year decrease of 16.94%.

Operation initiatives and results

In 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.

In wealth management and brokerage business, the transformation to a wealth management platform has achieved initial results. As of the end of December 2019, the asset value of overseas business customers was HK\$121.7 billion, with a total of 132,000 customers. The market share of Hong Kong stock brokerage securities trading volume was 0.29%. Risk management was strengthened, with margin financing balance of HK\$8.372 billion. The income proportion of wealth management products increased significantly. Everbright SHK, as one of the three largest brokers with the largest increase in Northbound trading turnover of the Shanghai-Shenzhen-Hong Kong Stock Connect, was awarded the “2019 Stock Connect Awards – Top 3 Breakthrough Brokers of the Year” by the Hong Kong Stock Exchange. In terms of electronic transactions, the smart investment advisory service of “EBSHK Direct AI-Portfolio Investing Platform” was launched, and the online trading platform “EBSHK Direct” also won the “Hong Kong Digital Brand Awards 2019 – Outstanding Online Trading Platform” co-organized by Metro Broadcast and the Chamber of Hong Kong Computer Industry.

SECTION IV REPORT OF THE BOARD

In terms of corporate finance and capital market business, new growth points were identified. In 2019, two IPO sponsorship projects and three compliance and financial advisory projects were completed. In terms of underwriting, 18 equity underwriting projects were completed, of which 16 were IPO projects, ranked 11th in the Hong Kong market, covering industries such as bio-medicine, technology, tourism, education, and finance. 19 bond underwriting projects have achieved rapid development and became a new growth point for investment banking business. The wholly-owned British subsidiary obtained the registration permit as UK Cross-border Transfer Institution of Shanghai-London Stock Connect GDR from SSE, and further expanded its international sales and trading network.

The asset management business developed steadily, and the investment business focused on post-investment management. As of the end of 2019, there were 12 operating products under the asset management business, with a AUM of approximately HK\$3.6 billion, and an active asset management business scale of HK\$1.66 billion, representing a year-on-year increase of 4.93%.

In the investment management sector, as of the end of 2019, there were 6 existing management projects with an investment balance of approximately HK\$1.633 billion.

Outlook for 2020

In 2020, the Company's overseas business will develop steadily in the direction of stability and refinement, advance the international business layout in an orderly manner, deepen the transformation of wealth management, and build a "leading wealth management platform in Hong Kong". It will vigorously promote financial technology and artificial intelligence technology, seize the opportunity for market development, and improve the Company's operating efficiency. The Company will leverage the advantages of domestic customer resources to realize the strategy of integrating domestic and overseas service customers, so as to improve brand recognition.

Other Matters

In 2015, the acquisition of 70% equity interests in Sun Hung Kai Financial Group Limited (hereinafter as "SHKFGL"), a subsidiary of Sun Hung Kai & Co. Limited, by EBSHK, a wholly-owned Hong Kong subsidiary of the Company, at a consideration of HK\$4,095 million was considered and approved at the 5th meeting of the fourth session of the Board and the second extraordinary general meeting of the Company for 2015. On 2 June 2015, the above transaction was completed, and parties entered into the shareholder agreement and the ancillary law documents. Up to now, there are relevant terms of the aforesaid agreement remaining valid, and major contents and implementation of such relevant terms are set out as follows. The transaction party (Sun Hung Kai & Co. Limited) has been granted a put option and relevant rights under the shareholder agreement with an aim to promote integration of ESIL and SHKFGL for the purpose of listing. The parties further agreed that Sun Hung Kai & Co. Limited shall be entitled to dispose of the remaining 30% equity interests in SHKFGL to EBSHK at an initial price plus a guaranteed yield of 8.8% per annum (minus any dividends declared and received) within six months from the fifth anniversary upon completion of the acquisition (from June 2020 to December 2020). Any transactions to be entered into by Sun Hung Kai & Co. Limited on the exercise of its put option are subject to the requirements under Chapter 14A of the Hong Kong Listing Rules. EBSHK has pledged its 30% interests in SHKFGL to the counterparty as a guarantee of performing such put option. Initially, based on the operation and management platform of Everbright SHK, EBSHK has commenced integration of its business, finance, personnel in Hong Kong and other middle and back office management for the purpose of restructuring and listing of the Company's business platforms in Hong Kong (ESIL and SHKFGL), and which are currently in the process. Currently, EBSHK is undergoing negotiation and communication with Sun Hung Kai & Co. Limited on the relevant terms in the principle of cooperation, mutual benefit and promotion on further integration of business platforms in Hong Kong. In the future, the Company may formulate a balanced overall business strategy based on its actual situation and aim to develop a leading overseas investment banking and comprehensive wealth management platform.

SECTION IV REPORT OF THE BOARD

2. Analysis of the major items of the consolidated statement of profit or loss

Table 2 Major revenue items

Unit: RMB' 000

Item	2019		2018		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission income	6,715,910	44%	5,783,468	43%	932,442	16%
Interest income	5,935,779	39%	6,589,033	49%	-653,254	-10%
Net investment gains	2,195,022	14%	803,763	6%	1,391,259	173%
Other income and gains	505,686	3%	306,320	2%	199,366	65%
Total revenue and other income	15,352,397		13,482,584		1,869,813	14%

In 2019, the revenue and other income of the Company amounted to RMB15.35 billion, representing a year-on-year increase of 14%. In particular, fee and commission income amounted to RMB6.72 billion, representing a year-on-year increase of 16%, which was mainly due to a year-on-year increase in stock and fund trading volume and the increased underwriting scale of the investment banking business in 2019. Interest income amounted to RMB5.94 billion, representing a year-on-year decrease of 10%, which was mainly due to the decrease in interests of financial assets measured at amortized cost, debt instruments measured at fair value through profit or loss and financial assets held under resale agreements. Net investment gains amounted to RMB2,195 million, representing a year-on-year increase of 173%, which was mainly due to the significant improvement in the investment performances of proprietary businesses. Other income and gains amounted to RMB0.51 billion, representing a year-on-year increase of 65%, which was mainly due to an increase in financial supportive funds received and the increase in income of futures warehouse receipts business.

Table 3 Major Expenditure Items

Unit: RMB' 000

Item	2019	2018	Increase/decrease	
			Net amount	Percentage
Fee and commission expenses	1,005,191	872,158	133,033	15%
Interest expenses	4,362,845	4,871,907	-509,062	-10%
Staff costs	3,286,739	3,046,030	240,709	8%
Depreciation and amortization expenses	670,589	379,942	290,647	76%
Tax and surcharges	59,469	63,909	-4,440	-7%
Other operating expenses	1,676,788	1,738,361	-61,573	-4%
Provision for contingent liabilities	1,610,922	1,400,000	210,922	15%
Impairment losses	263,919	103,662	160,257	155%
Credit loss expense	1,272,569	678,792	593,777	87%
Total	14,209,031	13,154,761	1,054,270	8%

SECTION IV REPORT OF THE BOARD

In 2019, total expenses amounted to RMB14.21 billion, representing a year-on-year increase of 8%. In particular, fee and commission expenses amounted to RMB1.01 billion, representing a year-on-year increase of 15%, which was mainly due to the impact of the increase in stock and fund trading volume of brokerage business and the increased underwriting scale of the investment banking business, leading to an increase in sync with the increase in fee and commission income. Interest expenses amounted to RMB4.36 billion, representing a year-on-year decrease of 10%, which was mainly due to a decrease in daily scale of financial assets sold under repurchase. Staff costs amounted to RMB3.29 billion, representing a year-on-year increase of 8%, which was mainly due to the increase in number of employees and in fixed salaries. Depreciation and amortization expenses amounted RMB0.67 billion, representing a year-on-year increase of 76%, which was mainly due to the impact of the implementation of the New Lease Standard. Impairment losses amounted to RMB0.26 billion, representing a year-on-year increase of 155%, which was mainly due to the impact of the provisions for goodwill impairment loss for the Reporting Period. Provision for contingent liabilities amounted to RMB1.61 billion, representing a year-on-year increase of 15%, which was mainly due to the increase of accrued liabilities resulted from MPS project. Credit loss expense amounted RMB1.27 billion, representing a year-on-year increase of 87%, which was mainly due to the provisions for impairment loss of the financial assets measured at amortized cost and financial assets purchased under resale agreements.

3. Cash flows

In 2019, the cash and cash equivalents of the Company recorded a net increase of RMB2.45 billion, of which:

- (1) Net cash generated from operating activities amounted to RMB29.00 billion, mainly due to the decrease in financial assets held under resale, and the increase in financial assets sold under repurchase agreements, partially offset by the increase in financial instruments at fair value through the profit or loss for current period.
- (2) Net cash used in investing activities amounted to RMB2.33 billion, mainly due to the increase in purchase of financial instruments at fair value through other comprehensive income, partially offset by dividend and interests received from financial instruments at fair value through other comprehensive income, as well as the disposal of investment in account receivables and other investments.
- (3) Net cash used in financing activities amounted to RMB24.22 billion, mainly due to the repayment of the debt financing instruments.

4. Explanation of significant profit changes caused by non-principal businesses

Based on the principle of prudence, the Company has made a provision for accrued liabilities of RMB1.611 billion during the Reporting Period with respect to the MPS matter and its progress involved by Everbright Capital, a wholly-owned subsidiary of the Company. Such matter led to a decrease in the total consolidated profit of the Company for 2019 by RMB1.611 billion and a decrease in the consolidated net profit by RMB1.252 billion. For details, please refer to the Company's announcements No. LIN 2019-051 and No. LIN 2020-015 published on the website of SSE and announcements dated August 27, 2019 and January 22, 2020 published on the website of the Hong Kong Stock Exchange.

SECTION IV REPORT OF THE BOARD

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

Unit: RMB' 000

Item	December 31, 2019		December 31, 2018		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Non-current assets	32,310,592		35,480,727		(3,170,135)	(8.93)%
Property and equipment	828,811	0.41%	800,043	0.39%	28,768	3.60%
Right-of-use asset	755,776	0.37%	-	0.00%	755,776	-
Goodwill	1,016,193	0.50%	1,257,046	0.61%	(240,853)	(19.16)%
Other intangible assets	314,058	0.15%	436,214	0.21%	(122,156)	(28.00)%
Interest in associates and joint ventures	1,039,416	0.51%	1,096,310	0.53%	(56,894)	(5.19)%
Financial assets measured at amortized cost	5,768,844	2.83%	7,606,011	3.70%	(1,837,167)	(24.15)%
Equity instruments at fair value through other comprehensive income	5,072,522	2.49%	4,848,015	2.36%	224,507	4.63%
Debt instruments at fair value through other comprehensive income	8,875,024	4.35%	7,945,473	3.86%	929,551	11.70%
Financial assets held under resale agreements	584,840	0.29%	3,554,278	1.73%	(2,969,438)	(83.55)%
Refundable deposits	4,415,528	2.16%	3,186,808	1.55%	1,228,720	38.56%
Deferred income tax assets	1,618,157	0.79%	1,235,048	0.60%	383,109	31.02%
Finance lease receivables	1,598,189	0.78%	3,362,252	1.63%	(1,764,063)	(52.47)%
Long term receivable arising from sale-and-leaseback arrangements	254,379	0.12%	-	-	254,379	-
Other non-current assets	168,855	0.08%	153,229	0.07%	15,626	10.20%
Current assets	171,779,755		170,298,311		1,481,444	0.87%
Accounts receivable	3,077,872	1.51%	3,211,112	1.56%	(133,240)	(4.15)%
Finance lease receivables	1,644,785	0.81%	1,934,578	0.94%	(289,793)	(14.98)%
Long term receivable arising from sale-and-leaseback arrangements due within one year	199,676	0.10%	-	-	199,676	-
Other receivables and prepayments	1,809,717	0.89%	2,596,349	1.26%	(786,632)	(30.30)%
Margin accounts receivable	34,118,659	16.72%	30,337,928	14.74%	3,780,731	12.46%
Debt instruments at fair value through other comprehensive income	3,677,843	1.80%	453,406	0.22%	3,224,437	711.16%
Financial assets held under resale agreements	7,700,967	3.77%	30,154,510	14.65%	(22,453,543)	(74.46)%
Financial assets measured at amortized cost	1,437,022	0.70%	296,870	0.14%	1,140,152	384.06%
Financial assets at fair value through profit or loss	65,403,594	32.05%	57,649,338	28.02%	7,754,256	13.45%
Derivative financial assets	9,239	0.00%	26,720	0.01%	(17,481)	(65.42)%
Clearing settlement funds	1,723,018	0.84%	1,475,419	0.72%	247,599	16.78%
Cash held on behalf of brokerage clients	39,937,491	19.57%	33,234,544	16.15%	6,702,947	20.17%
Cash and bank balances	11,039,872	5.41%	8,927,537	4.34%	2,112,335	23.66%
Total assets	204,090,347		205,779,038		(1,688,691)	(0.82)%

SECTION IV REPORT OF THE BOARD

Item	December 31, 2019		December 31, 2018		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Current liabilities	123,042,517					
Loans and borrowings	7,868,827	5.07%	4,769,266	3.04%	3,099,561	64.99%
Short-term debt instruments issued	4,489,383	2.90%	14,109,673	8.99%	(9,620,290)	(68.18)%
Placements from other financial institutions	6,063,705	3.91%	5,609,349	3.57%	454,356	8.10%
Financial liabilities at fair value through profit or loss	893,218	0.58%	287,616	0.18%	605,602	210.56%
Accounts payable to brokerage clients	45,710,991	29.48%	35,965,897	22.91%	9,745,094	27.10%
Employee benefits payable	1,557,274	1.00%	1,496,243	0.95%	61,031	4.08%
Other payables and accruals	7,633,917	4.92%	11,436,334	7.28%	(3,802,417)	(33.25)%
Contract liabilities	65	0.00%	-	-	65	-
Current tax liabilities	653,972	0.42%	403,306	0.26%	250,666	62.15%
Financial assets sold under repurchase agreements	24,636,110	15.89%	15,953,819	10.16%	8,682,291	54.42%
Lease liabilities due within one year	255,681	0.16%	-	-	255,681	-
Derivative financial liabilities	103,677	0.07%	492,824	0.31%	(389,147)	(78.96)%
Long-term bonds due within one year	23,175,697	14.95%	8,680,687	5.53%	14,495,010	166.98%
Total assets less current liabilities	81,047,830		106,574,024		(25,526,194)	(23.95)%
Non-current liabilities	32,029,022					
Loans and borrowings	3,811,364	2.46%	10,212,460	6.50%	(6,401,096)	(62.68)%
Long-term bonds	24,180,767	15.59%	40,837,158	26.01%	(16,656,391)	(40.79)%
Deferred tax liabilities	128,462	0.08%	101,436	0.06%	27,026	26.64%
Employee benefits payable	998	0.00%	998	0.00%	-	-
Accrued liabilities	3,010,922	1.94%	1,400,000	0.89%	1,610,922	115.07%
Lease liabilities	489,167	0.32%	-	-	489,167	-
Other non-current liabilities	407,342	0.26%	5,264,117	3.35%	(4,856,775)	(92.26)%
Total liabilities	155,071,539		157,021,183		(1,949,644)	(1.24)%
Net assets	49,018,808		48,757,855		260,953	0.54%

Except for the liabilities disclosed in this report as of December 31, 2019, the Company had no outstanding mortgage, charges, bonds, other capital liabilities under acceptance or other similar indebtedness, lease purchase and lease commitment, guarantee or other material contingent liabilities.

Non-current assets:

As of December 31, 2019, the non-current assets of the Company amounted to RMB32.2 billion, representing a decrease of 9% as compared with that of the beginning of the year, which was mainly due to the decrease of financial assets held under resale agreements and financial assets measured at amortized cost, partially offset by the increase in various financial assets investments.

SECTION IV REPORT OF THE BOARD

Current assets:

As of December 31, 2019, the current assets of the Company amounted to RMB171.8 billion, basically the same as that of the beginning of the year, which was mainly due to the decrease of financial assets held under resale agreements, partially offset by the increase in financial assets at fair value through profit or loss and cash held on behalf of brokerage clients.

Current liabilities:

As of December 31, 2019, the current liabilities of the Company amounted to RMB123.0 billion, representing an increase of 24% as compared with that of the beginning of the year, which was mainly due to the increase in the scale of long-term bonds due within one year, accounts payable to brokerage clients, financial assets sold under repurchase agreements, partially offset by the decrease in short-term debt instruments issued, other payables and accruals.

Non-current liabilities:

As of December 31, 2019, the non-current liabilities of the Company amounted to RMB32.0 billion, representing a decrease of 45% as compared with that of the beginning of the year, which was mainly due to the decrease in the scale of long-term bonds issued during the Reporting Period, loans and borrowings.

Borrowings and bond financing

Unit: RMB' 000

Item	2019	2018
Loans and borrowings	11,680,191	14,981,726
Short-term debt instruments issued	4,489,383	14,109,673
Long-term bonds	47,356,464	49,517,845
Total	63,526,038	78,609,244

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 46, 47 and 54 of the consolidated financial statements.

As of December 31, 2019, the Company's gearing ratio was 69.05%, the Company's borrowings, commercial papers payable and debts due within one year amounted to RMB35.5 billion, and the Company's current assets, net of the above liabilities, amounted to RMB136.2 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

(II) Analysis on operational information by industries

Please refer to relevant statements in "I. The Company's Main Businesses, Operation Model, and Industrial Description for the Reporting Period – (II) Description of industrial situation during the Reporting Period" of Section III "Summary on the Business of the Company" in this report for details.

SECTION IV REPORT OF THE BOARD

(III) Analysis on investments

As of the end of the Reporting Period, long-term equity investment of the Company amounted to RMB1.039 billion, representing a decrease of RMB60 million or 5% from the beginning of the year, which was mainly due to the loss on investment under the adoption of equity accounting for investment in an associate. For details, please refer to the relevant disclosure in the financial report.

1. Overall analysis on external equity investments

(1) Significant equity investment

The Company did not have any significant equity investment during the Reporting Period.

(2) Significant non-equity investment

The Company did not have any significant non-equity investment during the Reporting Period.

(IV) Material disposal of assets and equity interests

There was no significant disposal of assets and equity interests during the Reporting Period.

(V) Analysis on principal subsidiaries and investee 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 distribution of publicly offered securities investment funds.

As of December 31, 2019, Everbright Futures had total assets, net assets and net profit amounting to RMB11.722 billion, RMB1.901 billion and RMB183 million, respectively.

2. Shanghai Everbright Securities Asset Management Co., Ltd., established on February 21, 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 December 31, 2019, Everbright Asset Management had total assets, net assets and net profit amounting to RMB2.682 billion, RMB2.076 billion and RMB541 million, respectively.

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 consultation.

As of December 31, 2019, Everbright Capital had total assets, net assets and net loss amounting to RMB3.839 billion, RMB372 million and RMB2.909 billion, 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 December 31, 2019, Everbright Fortune had total assets, net assets and net loss amounting to RMB2.661 billion, RMB1.960 billion and RMB182 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 December 31, 2019, EBSHK had total assets, net assets and net loss (RMB equivalent, same for below) amounting to RMB25.264 billion, RMB18 million and RMB259 million, respectively.

SECTION IV REPORT OF THE BOARD

6. Everbright Development Investment Co., Ltd., established on 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 investment and investment consultation.

As of December 31, 2019, Everbright Development had total assets, net assets and net profit amounting to RMB1.203 billion, RMB557 million and RMB29 million, respectively.

7. Everbright Fortune International Leasing Co., Ltd., established on September 29, 2014 with a registered capital of RMB1 billion, is held by the Company as to 85% equity interests through Everbright Capital and EBSHK. Among which, 35% equity interest held by Everbright Capital has been frozen due to the impact of MPS risk events. For details, please refer to the Company's announcement No. 2019-037 published on the website of SSE. It is principally engaged in financial leasing and leasing business.

As of December 31, 2019, Everbright Leasing had total assets, net assets and net profit amounting to RMB4.860 billion, RMB1.183 billion and RMB24 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, asset management.

As of December 31, 2019, Everbright Pramerica had total assets, net assets and net profit amounting to RMB1.323 billion, RMB1.096 billion and RMB149 million, respectively.

9. Dacheng Fund Management Co., Ltd. ("Dacheng Fund"), established on April 12, 1999 with a registered capital of RMB200 million, is held by the Company as to 25% equity interests. It is principally engaged in fund raising, fund sales and asset management.

As of December 31, 2019, Dacheng Fund had total assets, net assets and net profit amounting to RMB3.627 billion, RMB2.365 billion and RMB246 million, respectively.

(VI) Structured entities under the control of the Company

As of December 31, 2019, the Company consolidated 17 structured entities, including asset management plans and partnerships. For asset management plans and partnerships that the Company acts as the manager and general partner or investment manager, the Company is of the view that it has control over certain asset management plans and partnerships taking into account various factors including the rights of making decision on its investment and the exposure to its variable returns, and includes them into the scope of consolidation. As of December 31, 2019, the net assets of the above structured entities within the scope of consolidation amounted to RMB9.8 billion.

For changes in operating entities including new subsidiaries, liquidated subsidiaries, structured entities or entities the control of which were obtained through entrusted operation, please refer to Note 25 to the consolidated financial statements.

SECTION IV REPORT OF THE BOARD

(VII) 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 issuance 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 will be used for developing capital intermediary business, approximately 11% of the proceeds will be used for funding operations of overseas business and inorganic expansion of onshore and offshore platforms, approximately 20% of the proceeds will be used for developing wealth management business and institutional securities services businesses, and approximately 10% of the proceeds will be used for funding working capital and establishing back office systems and other purposes.

As of December 31, 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 RMB1.56 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 December 31, 2019. Based on the translation at above exchange rates, the net proceeds from the issuance of H Shares amounted to RMB7.682 billion). The Company will use the remaining proceeds for the purpose as disclosed in the circular of the Company dated July 28, 2017.

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" of Section IX "Relevant Information on Corporate Bonds" in this report.

(VIII) Impact of implementing IFRS 9 "Financial Instruments"

The Group adopted IFRS 9 on January 1, 2018. For the details of its major impact, please refer to Note 2 to the consolidated financial statements.

(IX) Financing channels of the Company

The financing channels of the Company comprise equity financing and debt financing. In 2019, the Company did not commence equity financing and its main debt financing instruments included: public corporate bonds, non-public corporate bonds, short-term corporate bonds of the securities companies, short-term financing bonds of the securities companies as well as structured notes, margin refinancing from CSFC, inter-bank borrowing, gold options, gold leasing and swaps, assets backed plan backed by financing credit assets. The principle and interest of the debt financing instruments were all paid in a timely manner.

SECTION IV REPORT OF THE BOARD

(X) Analysis of the financing capability of the Company

As an A- and H-share listed securities firm with good market reputation and domestic and overseas financing capabilities, the Company focuses on the maintenance of the financing instruments and relations with transaction parties and maintains a good partnership with commercial banks. At the end of 2019, the Company obtained banking facilities from 40 banks with an aggregate amount of RMB240.0 billion. Meanwhile, the great capital strength of Everbright Group also provides solid protection for the Company.

III. Management Discussion and Analysis on the Future Development of the Company

(I) Competition landscape and development trend of the industry

Firstly, the macro economy is gradually stabilised. On the one hand, China and the United States have signed the first phase of the economic and trade agreement to deliver a positive energy of confidence and stability. On the other hand, macroeconomic policies are generally loose, supply-side structural reforms continue to be carried out, China's economy is full of toughness, and the development mode is gradually changing from a scale-speed type to a quality-efficiency type.

Secondly, the reform of the capital market is deepened. Supervisory authorities have continuously introduced numbers of major reform measures, fully relaxed the refinancing requirements, accelerated the registration of the Sci-Tech innovation board, optimized the interconnection of multi-level capital markets, and expanded the pilot work of stock and stock index options, which have a positive impact on the development of the capital market and provide more business opportunities for securities companies.

Thirdly, the progress of the opening-up is accelerated. MSCI, FTSE Russell, S & P Dow Jones and other indexes have been included in A-shares, and Shanghai-London stock connect, China-Japan ETF, etc. have successively implemented, QFII and RQFII investment quota restrictions have been completely moved out, and supervision encourages foreign institutions to invest and issue bond in Chinese market, supports Chinese institutions to issue bonds overseas, and further opens the futures market. The global capital will continue to increase the allocation of the PRC market, and external liquidity is expected to be further identified.

Fourthly, the concentration of industry giants has become increasingly obvious. Regulatory departments are actively promoting the creation of "colossus" securities companies, and the policy tendency of supporting superior corporations, and limiting inferior corporations, and differentiated management is increasingly prominent. High net-worth retail customers have become the focus in market competition, and securities companies with strong shareholder may benefit from the advantages they enjoy. Large-asset allocation and active investment capability have become the core competitiveness, financial technology has become an important tool for securities companies to lead clients, operate management and construct ecology.

(II) Corporate development strategy

The Company issued a new medium to long-term strategic plan in mid-2019, setting up the strategic goal of "establishing a first-class investment bank in China" and the two strategic visions of "value leading with distinctive characteristics", and unswervingly promoting the reform of "marketization, specialization and intensification".

The Company will adhere to the fundamental principle of "pursuing progress amid stability, seeking opportunity amid changes, seeking innovation amid progress" and strive for higher quality development.

SECTION IV REPORT OF THE BOARD

The Company will (i) build a business model with Everbright characteristics to achieve differentiated operation, and lead other business development by strengthening development basis of business and leveraging advantageous business; (ii) optimize the allocation of resources, and reasonably allocate resources such as capital, finance, business and human resources; (iii) implement the Group's E-SBU strategy and build an investment banking platform with core competitiveness and market influence; (iv) further promote the marketization of talents, professionalism of business lines, intensification of business to build an efficient, integrated and intelligent supporting system, thus empowering customers, enabling industries, operation and controlling; (v) fully promote a compliance and risk control culture and strengthen the "three defense lines and four firewalls" (三線四牆) system.

(III) Business plan

2020 is the first year for the full implementation of the Company's new strategy. The Company will closely focus on the guideline of "pursuing progress amid stability, seeking opportunity amid changes, seeking innovation amid progress", implement the concept of new development, remain confident to seize opportunities, and fully return to the origin of business, so as to strive for development with characteristics, quality and responsibility.

First, the Company will fully implement the medium to long-term strategic plan. The Company will leverage strategic positioning, exploit and integrate customer resources, focus on innovation in business model and insist on differentiated competition.

Second, the Company will capitalize on the development opportunities in the securities industry. The Company will closely monitor the progress of capital market reform, seize the trend changes in capital base and industry risks, and explore more business opportunities.

Third, the Company will continue to lay a solid foundation for business development. The Company will improve our customer service, take good advantage of price leverage, continuously enlarge customer base and promote the quality of assets. At the same time, the Company will proactively serve strategic customers, strengthen regional layout and coordinate marketing, thus continuously increasing market share and brand influence.

Fourth, the Company will seek for balanced development of each business segment by leveraging advantageous business. The Company will continue to invest in research and development, strive to improve the coverage on large and medium-sized institutional customers, systematically improve active investment capability and create long-term and stable returns for our Company and customers.

Fifth, the Company will implement the ecological concept and achieve development with characteristics. Taking E-SBU construction as a breakthrough point, the Company will fully implement the "new ecology" concept, improving customer service capabilities through customer migration, cross-selling, and other methods, and creating "famous brands, shops, and stars" with Everbright characteristics. With the help of investment banks and wealth E-SBUs, traffic sharing, business integration and ecological construction will be strengthened. The Company will proactively integrate environmental protection, health and tourism E-SBU to set more industry benchmarks.

Sixth, the Company will strengthen risk control and compliance, promoting high-quality development. The Company will improve the risk control and compliance system, and fight well to resolve risks. At the same time, with the goal of guiding the healthy development of the business, the Company will constantly improve the level of risk control compliance management.

Seventh, the Company will constantly deepen the reforms of system and mechanism. The Company will deepen the reforms in decision-making governance, financial management and human resources management and other matters to further improve the efficiency of management.

Eighth, the Company will be active in serving the people's livelihood. The Company will continue to explore the "securities +" anti-poverty model, innovate help model, enhance the support for social and livelihood undertakings and strengthen its responsibility as a state-owned enterprise.

SECTION IV REPORT OF THE BOARD

Ninth, the Company will foster a modern corporate culture under the leadership of the Communist Party. The Company will implement party building work, continuously consolidate the results of the theme education work, improve party building at the grassroots level, continue to promote the comprehensive and rigorous administration of the party, and work together to seek common development.

(IV) Potential risk exposure (including implementation of comprehensive risk management and compliance control, investment in information technology)

1. Summary of risk management

By adhering to the risk management culture of sound operation, the Company continued to commit itself to establishing the comprehensive risk management system that matches the Company's strategic and developmental objectives through improving its risk management system, building its risk management information system and strengthening its professional risk management so as to effectively manage various risks faced during the Company's operations and promote the healthy and sustainable development of the Company's businesses.

2. Risk management structure

The Company's risk management organization consists of four levels, including the Board of Directors, Supervisory Committee and its risk management committee; the management and its subordinate professional committees; the risk management functional departments; and various departments, branches and subsidiaries.

The Board of Directors shall undertake ultimate responsibility for comprehensive risk management and be responsible for advancing the construction of risk culture; considering and approving the basic system of the comprehensive risk management of the Company; considering and approving the risk preference, risk tolerance and significant risk limit of the Company; considering the regular risk assessment reports of the Company; appointing, dismissing and assessing the chief risk officer, determining his remuneration and compensation; and establishing a direct communication mechanism with the chief risk officer. The Board of Directors may authorize its subordinate Risk Management Committee to fulfil some of its comprehensive risk management duties. The Supervisory Committee shall undertake the supervisory responsibility for comprehensive risk management, and be responsible for supervising and examining the performance of duties of the Board and the management in the risk management aspect and supervising the rectification.

The management of the Company shall undertake primary responsibility for comprehensive risk management and be responsible for establishing risk management system and making timely adjustment; establishing a healthy operation management structure for the Company's comprehensive risk management, clarifying the duty division of comprehensive risk management among risk management functions, business departments and other departments, and establishing a working mechanism that features effective checking and balance and good coordination among the departments; establishing the specific execution plans on risk preference, risk tolerance and significant risk limit and ensuring the effective implementation of the plans; monitoring its progress, analyzing its reasons in a timely manner and handling it according to the authorizations granted by the Board; regularly assessing the overall risk of the Company and various types of material risk management conditions, resolving problems that are found in risk management and reporting to the Board; establishing a performance assessment system for all staff that covers effectiveness of risk management; establishing a complete IT system and data quality control mechanism. The management of the Company has set up various subordinate professional committees that are responsible for some of risk management functions within the scope of respective duties.

SECTION IV REPORT OF THE BOARD

The Company's departments with the risk management functions include risk management and internal control department, legal and compliance department, internal audit department, information technology headquarters, planning and finance department, operations management headquarters, board office, investment banking quality control headquarters and investment banking internal audit office. According to the authorizations granted by the Company, each of the functional departments identifies, monitors, assesses and reports the various risks of the Company and also assists, guides and examines respective risk management work of different departments, branches and subsidiaries.

Each of the head of the Company's business departments, branches and subsidiaries shall undertake direct responsibility for comprehensive risk management within their respective business field. Each of the Company's business departments, branches and subsidiaries is responsible for carrying out businesses strictly within the range of permission granted according to the Company's authorization management system and unauthorized activities are strictly prohibited and are managed and controlled effectively by a way of establishing rules, procedures and systems.

3. *Measures against various risks*

(1) *Market risk*

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

In terms of the market risk, the Company adheres to the principle of proactive management and quantitative orientation and establishes a risk limit system incorporated with 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.

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 business development.

SECTION IV REPORT OF THE BOARD

(2) *Credit risk*

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

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. Under assets and liabilities management and overall risk management policies, the Company persistently adheres to the strategy of robust risk management. The Company has adopted a proactive management and dynamic adjustment approach, and developed a tolerance and borrowing or lending management mechanism for the liquidation risks covering parent company and subsidiaries pursuant to the overall risks management policies. It has gradually improved differentiated liquidation risk management frameworks tailored for subsidiaries with different performance. In addition, the Company has established differentiated funds management patterns and a supporting system for management, monitoring and alerts of liquidation risk limit based on the different characteristics of businesses. The Company continued to reasonably measure the management cost of liquidation risks and explored to fully incorporate liquidation factors into the pricing system of funds.

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 brokerage and proprietary trading business heavily rely on the real-time processing of data via electronic information system, and storing enormous information 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.

SECTION IV REPORT OF THE BOARD

Network security risk: With the rise and development of Internet finance, the ongoing expansion and extension of securities business channels, the security of the system of businesses 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 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 information leakage.

Financial technology risks: With the increasing popularity of financial technology application, product structure, business ecology and business models have changed significantly from traditional modes. New risks incurred by financial technology innovation are even more hidden, sudden, and contagious.

During the Reporting Period, the Company continued to deepen the reform on information technology and improve capabilities of financial 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. The Company continuously enhanced the construction of cloud computing platform, big data platform and platform for AI basic technology capacity so as to solidate the foundation of digitalization transformation of the Company.

The Company adheres to the work philosophy of "prevention first, contingency plan as secondary measure, continuous improvement and pursuit of excellence", continues to advance the work goal of "adhering to the safety bottom line and accelerating technological empowerment", and further strengthens the concept of "safety first, risks under control, demand driver and technology orientation". The Company strives to practice standardized and refined operation and maintenance management, continuously improves operation and maintenance tools, and refines and reconstructs the operation and maintenance platform and system. Through solidifying the core transaction systems, continuously deepening the ISO20000 operation and maintenance service system, and actively promoting the establishment of unified three platforms of supervision and control, the Company has greatly improved the management of IT operation and maintenance and enhanced the quality and efficiency of operation and maintenance. The Company is moving forward to effectively manage information technology risk in accordance with the new four directions of operation and maintenance – "service standardization, process automation, digital management, and intelligent decision-making".

The Company continued to improve the information security system, optimize the process, build a mobile security sensing system, promote the transformation of security management mode from passive defense to active prevention and active management, and promote the proactive management capabilities for information security.

SECTION IV REPORT OF THE BOARD

(6) *Reputation risk*

Reputational risk refers to the risk of the negative evaluation from the Company's shareholders, employees, customers, third-party cooperation agencies, regulators, the media and the public due to the Company's management, other actions or external events.

The Company continued to carry out appropriate and effective reputational risk management, has established a standardized management system, a scientific organizational structure and a sound management and control system. The Company has also successively formulated and revised the Measures for the Management of Information Release of Everbright Securities Company Limited, Everbright Securities Company Limited Measures for the Management of Corporate Reputation Risk Prevention and Crisis Public Affairs, Management Measures for Everbright Securities Major Emergencies Reporting, Management Measures for Everbright Securities Company Limited Major Emergency Response Plan, Everbright Securities Company Limited WeChat Official Account Management Regulations and other related measures.

The Company has a working group for media affairs management and a leading group for emergency response, which has realized the coordination and unity between the Company and the department in reputation risk management. In addition, the Company has set up full-time positions for public opinion monitoring and maintenance of external media relations, at the same time, the Company has also engaged third-party consultants and law firms to assist the Company in managing its reputational risk.

At present, the Company has achieved full coverage of the subsidiary's reputation risk prevention and control system, and each subsidiary has established measures to prevent and dispose of reputation risk that matches its actual situation.

(7) *Compliance risk*

Compliance risk refers to the risk of the Company being investigated for legal responsibility in accordance with laws, being taken regulatory measures, being given disciplinary action, or losing property or business reputation due to violations of laws, regulations and guidelines by the Company or its staff in operating management or practice. In order to effectively control compliance risks, the Company has established a scientific, efficient, and practical compliance management system to effectively identify, evaluate, and manage compliance risks, and form a compliance management and control mechanism composed of basic systems, implementation methods, and specific specifications to provide effective support and supervision for the Company's various operations in accordance with laws and regulations.

SECTION IV REPORT OF THE BOARD

4. *Implementation of overall risk management, compliance risk control and information technology input*

In 2019, the Company highly values risk management and has always been committed to building an overall risk management system which matches with the Company's strategic development objectives. During the Reporting Period, the Company continued to strengthen the Group's control, optimize the risk management process, increase the promotion on risk management culture and concept, enrich the risk management team, improve the risk management information systematization level, and promote the continuous improvement of the Company's overall risk management system. In 2019, the total amount of investment in risk management amounted to RMB48 million for the year, including investment in risk management system and technology, risk control related team expenditure, training and operating expenses.

The Company attaches great importance to compliance management and has always been committed to building a comprehensive compliance management system that fits the Company's strategic development goals. During the Reporting Period, the Company continued to strengthen its investment in compliance management. First, the Company strengthened the compliance team construction and increased the support in personnel recruitment for legal compliance department through various channels, such as internal recruitment, social recruitment and recommendation from headhunters, to attract and recruit talents. The Company assigned compliance controller of all business department and branches, built up professional compliance management team, and ensured the salary and welfare received by compliance personnel. Second, the Company made investments in compliance system construction. The Company continued to establish and improve systems, such as the review system of interest conflict among investment banks, information isolation wall system, office telephone recording system, collaborative platform compliance module, anti-money laundering system and suspected person monitoring system. The amount of investment in system construction for the year of 2019 amounted to RMB1.0114 million. Third, the Company strengthened the compliance training. Internal and external experts have been engaged by the legal compliance department to offer certain compliance training through the combination of online and offline training to expand the reach of training, which can help the Company establish the compliance culture and implement the compliance philosophy.

The Company attaches great importance to the supporting role of information technology in the overall operation and continuous business development of the Company. It has invested a lot of resources to ensure continuous service capabilities of business and network security protection levels, improve application capabilities of information technology, optimize information technology systems, and actively explore financial technology empowerment for business development. The Company and its securities business subsidiaries' investment in information technology (according to the statistical scope of securities firm's information system construction investment index) mainly includes: the depreciation and amortization expenses of IT fixed assets and intangible assets, research and development costs of new IT systems, the input to IT daily expenses, etc. The total investment in information technology in 2019 was RMB258.1318 million.

SECTION IV REPORT OF THE BOARD

(V) Business innovation

In 2019, the Company has explored the integrated development of business innovation and technological empowerment through process innovation, tool innovation and platform innovation.

Firstly, the Company implemented the decision and deployment of leverage reduction and debt reduction made by the State Council and the SASAC. The Company developed “Guangsui (光穗)” series of asset securitization products and provided new financial instruments for high-quality state-owned enterprises to optimize debt structure.

Secondly, the Company actively explored a path of financing upgrade for infrastructure construction. The Company led the infrastructure in Beijing-Tianjin-Hebei Region to revitalize fund, introduced innovative ideas and high-quality financial resources into the “Beijing-Tianjin-Hebei Region Integration” and the construction of the Xiong’an New District, and achieved economic and social benefits.

Thirdly, the Company comprehensively promoted the recreation of centralized operations and service processes. The Company built the full-process counter business platform with the most complete functions and the highest degree of paperlessness in the industry, which realized one-stop service and standardized operations, comprehensively improved operational efficiency and reduced operational risks.

Fourth, the Company prevented and controlled risks with technologies to ensure the safety of clients’ assets. The Company built a reliable “Internet +” identity authentication platform and use it on the Golden Sunshine APP on a trial basis to increase the authority of clients identification, improve efficiency of identification, and effectively protect clients’ assets.

Fifth, the Company continued to promote the implementation of financial technology scenarios in the field of big data and artificial intelligence. The Company established a sophisticated big data platform to lay the foundation of data for portraying user and providing target marketing services. The Company improved efficiency in business management and user interaction experience through intelligent return visit, intelligent quality inspection, and intelligent outlet construction.

IV. Profit Distribution and Proposed Dividend

The formulation and implementation details of the Company’s cash dividends policy and the profit distribution proposal for 2019 are set out in “I. Proposal of Profit Distribution for Ordinary Shares or Capitalization from Capital Reserve Fund” of Section V “Significant Events” in this report.

V. Other Information

(I) Directors, Supervisors and senior management of the Company

For details of the composition of the Directors, Supervisors and senior management of the Company, their biographies and changes during the Reporting Period, please refer to Section VII “Particulars about Directors, Supervisors, Senior Management and Employee” of this report.

(II) Pre-emptive right

In accordance with the provisions of the PRC laws and the Articles of Association, the Company’s shareholders do not have pre-emptive right to purchase shares.

SECTION IV REPORT OF THE BOARD

(III) Service contracts of Directors and Supervisors

The Company has entered into "Service Contracts for Directors" and "Service Contracts for Supervisors" with its incumbent Directors and Supervisors. For details of the service term of the Directors and Supervisors, please refer to Section VII "Particulars about Directors, Supervisors, Senior Management and Employee" of this report.

None of the Company's Directors nor Supervisors has signed with the Company or its subsidiaries any service contract which cannot be terminated within one year, or which cannot be terminated without payment of compensation, other than statutory compensation

(IV) Right of Directors and Supervisors to purchase shares

At no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

(V) Directors' and Supervisors' interests in material contracts

Except for the service contracts, neither the Company nor its subsidiaries has entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or their connected entities had or continue to have, directly or indirectly, a material interest during the Reporting Period.

(VI) Interest of Directors in business in competition with the Company

None of the Directors has any interest in any business that competes or may compete with the Company's business, directly or indirectly.

(VII) Permitted indemnity provision

The Company has arranged for appropriate insurance in respect of the responsibilities of the Directors and members of the senior management to cover possible legal liabilities owed to third parties arising from corporate activities that may be faced by the Directors and members of the senior management.

(VIII) Management contracts

For the year ended December 31, 2019, no contract has been entered into for the management and administration of the entire or any material part of the business of the Group.

(IX) Major clients

The Group's major clients include individuals (especially affluent individuals), corporations, institutional investors and financial institutions. The Group's clients are primarily located in China, but it expects to serve more overseas clients as the Group expands our overseas operations.

In 2019, income generated from the five largest clients of the Company accounted for less than 30% of the Group's total revenue and other income.

The Group has no major suppliers due to the nature of our businesses.

(X) Reserves and reserves for profit distribution

For particulars about changes in reserves and reserves for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" of Financial Statements and Note 57 to the Consolidated Financial Statements in this report.

SECTION IV REPORT OF THE BOARD

(XI) Employees

Human resources are one of the most valuable assets of the Group. The Company is committed to strengthening talent team building and improving employee quality. Please refer to “V. Information about the Staff of the Parent Company and Major Subsidiaries” in Section VII “Particulars about Directors, Supervisors, Senior Management and Employee” of this report.

(XII) Equity-linked agreements

No equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

(XIII) 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 December 31, 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 Kong 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.

(XIV) Poverty Alleviation

1. Targeted Poverty Alleviation Plan

As one of the first batch of three innovative pilot companies approved by CSRC, the Company earnestly followed the central government's strategic plan for poverty alleviation, fully fulfilled its social responsibility, continued to promote key works such as serving the real economy and alleviating poverty, and created value to make contribution to the society. The Company always kept in mind its own red gene through putting the focus of social contribution on the topic of “targeted poverty alleviation”, responding to the strategic call of the government on targeted poverty alleviation, and signing cooperation agreements with five state-level impoverished counties successively: Xintian County of Hunan, Xiji County of Ningxia, and Xingguo County, Wanan County, and Xunwu County of Jiangxi.

The Company has established a poverty alleviation leading committee to coordinate and lead the poverty alleviation work of the Company. The secretary of the party committee and chairman of the Board of Directors of the Company, serves as the responsible person of the poverty alleviation leading committee. The deputy secretary of the party committee and chairman of the Supervisory Committee of the Company, is in charge of daily work of poverty alleviation. The poverty alleviation office is responsible for the daily organization and coordination of the Company's poverty alleviation work. After helping impoverished areas for years and continuously improving the innovative mode of “Securities +” comprehensive poverty alleviation, the Company has developed a good social demonstration effect.

SECTION IV REPORT OF THE BOARD

In line with the spirit of the Circular of the State Council on Printing and Distributing the 13th Five-year Plan for Poverty Alleviation, the requirements under the Opinions of the CSRC on the Role of the Capital Market in Serving the Country's Poverty Alleviation Strategy, and Everbright Group's requirements on poverty alleviation work, 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 realizing targeted poverty alleviation through resources investment, an overall objective of promoting common prosperity with win-win cooperation, a main task of leveraging its professional strengths to accelerate industrial upgrading, and a safeguard constituted by its proprietary funds poverty.

2. *Summary of Targeted Poverty Alleviation Work in the Year*

In 2019, the Company continued to explore new modes of poverty alleviation that are in line with the characteristics of the industry and local conditions; deepened the comprehensive, innovative modes of poverty alleviation represented by the "securities +" mode; strengthened poverty alleviation work through industries, finance, consumption, infrastructure, education, medical treatment and public welfare; and provided modular, multi-dimensional, group-based, differentiated and targeted services to broaden and deepen its poverty alleviation work.

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, which makes the Company among the first tier enterprises in the industry in the regard of number of assistance objects. The Company actively communicated with the CSRC, the Securities Association of China, CSI Inter Agency Quotation System Co., Ltd. and the China Foundation for Poverty Alleviation to report the progress of its poverty alleviation efforts. The Company also communicated and coordinated with the 5 counties and 3 schools receiving one-on-one assistance from it, explored various diversified poverty alleviation projects such as "Food from impoverished areas in Everbright(扶貧美食進光大)" to alleviate poverty through consumption, "8.18 remote medical training and free consultation(8.18遠端醫療培訓義診)" to alleviate poverty through medical treatments, "Everbright Summer Camp(光大融情夏令營)" to alleviate poverty through education, "Party Building(黨建結對)" to alleviate poverty through Party building. The Company focused on financing difficulties in impoverished areas, utilized the Company's advantages and financial attributes, and helped to successfully issue the green bonds in Xingguo County. The Company focused on industrial poverty alleviation, utilized the nature of financial institutions to serve the real economy, continued to promote the project of "Securities + Futures + Insurance" Sunshine Agro (陽光惠農), and provided value protection for agricultural products in Xiji County of Ningxia.

SECTION IV REPORT OF THE BOARD

3. Achievements of Targeted Poverty Alleviation

Unit: RMB0'000 Currency: Renminbi

Indicator	Amount/Status
I. General information	
Including: 1. Cash	1,599
2. Value of goods	-
3. Number of registered impoverished individuals having cast off poverty (person)	46,286
II. Breakdown	
1. Poverty alleviation through economic development	
Including: 1.1 Category of poverty alleviation	√ Agriculture and forestry √ Others
1.2 Number of programs	8
1.3 Project investment	1,087.78
1.4 Number of registered impoverished individuals having cast off poverty (person)	46,286
2. Poverty alleviation through education	
Including: 2.1 Subsidies to students in need	60
2.2 Number of sponsored students in need (person)	60
2.3 Education resources investment in poverty-stricken regions	-
3. Poverty alleviation relating to healthcare	
Including: 3.1 Healthcare resource investment in poverty-stricken regions	413.67
4. Other projects	
Including: 4.1 Number of projects	5
4.2 Project investment	37.55
4.3 Number of registered impoverished individuals having cast off poverty (person)	0
4.4. Notes to other projects	Settlement of the collective debt of Xiaoshuigan Village, Xintian County, Hunan Province; promotion of poverty alleviation and visits of people in impoverished areas; Week for Food from Xintian County; Party building; etc.
III. Awards and recognitions (details and class)	
December 2019: The 2nd "Charity Star of Jian'an District" (Shanghai Charity Foundation Jing'an)	
December 2019: Praise for Poverty Alleviation through Financial Efforts (China Business)	
November 2019: China Golden Tripod Award, "Best Social Contribution Award (年度最佳社會貢獻獎)" (National Business Daily)	
November 2019: Annual Public Welfare Innovation Enterprise Award (年度公益創新企業獎) (International Finance Journal published by People's Daily Office)	
July 2019: Honorary Certificate of Donation for Poverty Alleviation (China Foundation for Poverty Alleviation, Securities Association of China)	
January 2019: Poverty Alleviation Contribution Award (China Economic Net)	

SECTION IV REPORT OF THE BOARD

4. *Subsequent Targeted Poverty Alleviation Plans*

2020 is the deciding year of poverty alleviation for China. The Company will closely focus on targeted poverty alleviation, and “One Company, One County” (一司一縣) and “One County, One Enterprise” (一縣一企) initiatives as proposed by CSRC and the Securities Association of China. The Company will further pinpoint issues, focus on priorities, break through difficulties, and make innovative contributions. It will work together with one-to-one supporting areas, constantly explore new modes of targeted poverty alleviation in accordance with the actual situation in that area, and complete all one-to-one supporting works.

The Company will continuously rely on the advantages of the Everbright Group as a financial control platform, explore and use the resources of financial enterprises in Everbright system, and implement and promote poverty alleviation with an overall awareness, linkage awareness, sharing awareness, and market awareness. The Company will, in accordance with the actual situation of the counties, take key projects as breakthrough, strengthen the implementation of programs, strengthen communication with cadres, and study and solve existing problems. The Company will focus on its essence as investment banks, substantially exert professional advantages of capital markets, develop and improve the innovative mode of “Securities +” targeted poverty alleviation, and contribute to the realization of overall poverty alleviation in China by 2020.

(XV) Active Performance of Social Responsibilities

As a state-owned holding financial enterprise, the Company will, combining its own business and development, continue to optimize management in terms of service innovation, targeted poverty alleviation, employee development and green operation, actively communicate with all stakeholders, continue to strengthen corporate governance, and strive to achieve sustainable economic, social and environmental development. At the time of publishing this report, the Company will also publish the 2019 Annual Corporate Social Responsibility Report of Everbright Securities Company Limited on the website of the SSE (www.sse.com.cn).

The Company has complied the “2019 Environmental, Social and Governance Report of Everbright Securities Company Limited” pursuant to the Environmental, Social and Governance Reporting Guide contained in the Appendix 27 of the Hong Kong Listing Rules. For details, please refer to the “2019 Environmental, Social and Governance Report of Everbright Securities Company Limited” published by the Company and disclosed on the HKEx website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.ebscn.com). During the Reporting Period, the Company has complied with the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide.

(XVI) Donations

During the Reporting Period, the Group’s donations amounted to approximately RMB16.20 million in total.

By order of the Board
Everbright Securities Company Limited
Yan Jun
Chairman, Executive Director

Shanghai, the PRC
27 March 2020

SECTION V SIGNIFICANT EVENTS

I. Proposal of Profit Distribution for Ordinary Shares or Capitalization from Capital Reserve Fund

(I) Formulation, implementation or adjustment of cash dividend policy

1. *The Company's Profit Distribution Policy*

The Company emphasizes shareholders return. The Articles of Association explicitly provides for the Company's profit distribution policy and the Company has formulated Management Measures for Profit Distribution of Everbright Securities Company Limited. The relevant profit distribution provisions of the Articles of Association clearly stipulate the specific conditions for the adjustment of the established policy, especially the cash dividend distribution policy, the decision-making procedures and the mechanism and the priority of the cash dividends in comparison to bonus shares in the profit distribution, the interval time and the specific conditions of cash dividends distribution, the conditions of the issuance of bonus shares, etc.

2. *The Implementation of the 2018 Profit Distribution During the Reporting Period*

During the Reporting Period, the proposal in relation to the Company's 2018 profit distribution proposal was considered and approved by shareholders at the 2018 annual general meeting of the Company. On July 19, 2019, the Company's 2018 profit distribution was completed.

3. *The 2019 Profit Distribution Plan*

The 22nd meeting of the fifth session of the Board considered and approved the proposal in relation to the Company's 2019 profit distribution plan: on the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2019, cash dividend of RMB0.37 per 10 shares (tax inclusive) will be distributed to all holders of A Shares and H Shares, with total cash dividend amounting to RMB170,599,142.64. 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 would be calculated at the rate of average benchmark exchange rate of RMB against HKD published by PBOC for five business days prior to the 2019 annual general meeting of the Company. The above distribution proposal will be submitted to the Company's 2019 general meeting for consideration, and cash dividend will be distributed within two months after the pass of the proposal by the Company's 2019 general meeting.

The Company will announce in due course the date of the 2019 annual general meeting, and for the purpose of ascertaining the eligibility of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to the holders of H Shares, as well as the record date and the date for the payment of the dividends to holders of A Shares.

SECTION V SIGNIFICANT EVENTS

(II) Proposal or plan of the profit distribution for ordinary shares or capitalization from capital reserve fund to share capital for the last three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of distribution	Amount of dividends (tax inclusive) per ten shares	Amount of cash dividends (tax inclusive)	Net profit for the year attributable to the shareholders of ordinary shares of the Company in the annual consolidated statements during the year of distribution	Percentage in net profit for the year attributable to the shareholders of ordinary shares of the Company in the consolidated statements (%)
2019	0.37	170,599,142.64	567,944,886.30	30.04
2018	1.00	461,078,763.90	103,322,859.82	446.25
2017	2.00	922,157,527.80	3,016,470,221.54	30.57

II. Performance of Undertakings

(I) Undertakings of de facto controllers, shareholders, related parties, purchasers, the Company and connected parties made and/or remain effective during the Reporting Period

In preparation of the listing of the Company's H Shares on the Hong Kong Stock Exchange, Everbright Group made relevant non-competition undertakings which were disclosed in the Company's prospectus. The Company has received the written confirmation from Everbright Group, confirming that it has complied with the relevant non-competition undertakings during the year from January 1, 2019 to December 31, 2019.

The independent non-executive Directors have reviewed the compliance and enforcement of non-competition undertakings by Everbright Group, and are of the view that during the year from January 1, 2019 to December 31, 2019, none of Everbright Group, any of its normally-operating wholly-owned subsidiaries, controlling subsidiaries or an entity controlled by it, substantively competes with Everbright Securities or subsidiaries of Everbright Securities in any business that is engaged in by a securities firm as the primary operating entity and regulated by the relevant securities regulatory authority, nor is there any potential substantive competition. Therefore, Everbright Group has complied with the relevant non-competition undertakings during the year from January 1, 2019 to December 31, 2019.

SECTION V SIGNIFICANT EVENTS

III. Analysis and explanation of causes and effects of changes in terms of accounting policies, accounting estimates or corrections of significant accounting errors by the Company

(I) Analysis and explanation of causes and effects of changes in terms of accounting policies and accounting estimates by the Company

In 2018, the MOF issued the revised "Accounting Standard for Business Enterprises No. 21 – Leasing" (the "New Lease Standard") which adopts the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize right-of-use asset and lease liability for all leases other than short-term and low-value assets leases and recognise depreciation and interest expenses, respectively. Since January 1, 2019, the Company has conducted accounting treatment in accordance with the newly revised lease standard and elected not to re-evaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of current Reporting Period will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation.

IV. Appointment and Dismissal of Accounting Firms

	Current engagement
Name of domestic accounting firm	Ernst & Young Hua Ming LLP (Special General Partnership)
Remuneration of domestic accounting firm	RMB4.18 million
Years of audit service of domestic accounting firm	3
Name of overseas accounting firm	Ernst & Young
Remuneration of overseas accounting firm	Note
Years of audit service of overseas accounting firm	3

	Name	Remuneration
Accounting firm for internal control	Ernst & Young Hua Ming LLP (Special General Partnership)	Note

Note: The Company's audit fees for domestic audit services and internal control amounted to RMB4.18 million; the audit fees paid to the overseas accounting firm for its provision of audit advice for EBSHK, ESIL and SHKFGL amounted to HK\$4.50 million (equivalent to approximately RMB3.96 million).

The Resolution of Engagement of External Audit Organization in 2019 was considered and approved at the Fourth meeting of the fifth session of the Board and the First meeting of Extraordinary General Meeting for 2019, and Ernst & Young Hua Ming LLP (Special General Partnership) was appointed as domestic and overseas audit organization of the Company in 2019.

SECTION V SIGNIFICANT EVENTS

V. Material Litigation and Arbitration Matters

During the Reporting Period, the Company was in compliance with laws and regulations which have a material impact on the Company. During the Reporting Period, the Company was not involved in any material litigation and arbitration that involve claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets, which shall be disclosed in accordance with the requirements under the SSE Listing Rules. For the particulars of other litigations of the Company, please refer to "VIII. Other Significant Events and Subsequent Events" in Section V "Significant Events" of this report.

VI. Material Related Party Transactions and Connected Transactions

(I) Related party transactions and connected transactions

Everbright Group is a controlling shareholder of the Company and hence a connected person of the Company; Sun Hung Kai & Co. Limited, a substantial shareholder of subsidiaries of the Company, owns 30% of the issued share capital of SHKFGL and hence a connected person of the Company.

Exempt continuing connected transactions

In the Group's daily operation:

1. The Company and certain of its subsidiaries in China have entered into certain trademark license agreements with Everbright Group. Everbright Group has granted non-exclusive, non-transferable and royalty-free licenses to the Company and its subsidiaries, pursuant to which the Company and its subsidiaries are permitted to use certain trademarks owned by Everbright Group in China.
2. Sun Hung Kai & Co. Limited and SHKFGL and/or certain of its subsidiaries have entered into certain trademark license agreements. Sun Hung Kai & Co. Limited granted to SHKFGL and certain of its subsidiaries exclusive (save and except as Sun Hung Kai & Co. Limited), non-transferable and royalty-free licenses to use certain trademarks and domain names owned by Sun Hung Kai & Co. Limited in Hong Kong, Macau, PRC and Australia.
3. Sun Hung Kai Insurance Consultants Limited, a subsidiary of SHKFGL, entered into an agreement with certain associates of Sun Hung Kai & Co. Limited, pursuant to which Sun Hung Kai Insurance Consultants Limited will provide packaged brokerage services to the associates of Sun Hung Kai & Co. Limited by assisting those associates in procuring insurance policies to be taken out with third party insurers. With respect to securities brokerage, commission and related services, customer referral and financial information, SHKFGL has entered into a framework agreement with Sun Hung Kai & Co. Limited and certain of its associates to regulate the provision of securities brokerage services.

SECTION V SIGNIFICANT EVENTS

4. Sun Hung Kai & Co. Limited, SHKFGL and EBSHK entered into a transitional services agreement, pursuant to which Sun Hung Kai & Co. Limited and SHKFGL will provide certain administration services to the other party including human resources, employees and access to the insurance policies, sharing of office space and car park space, keeping of documents, cleaning services, security services, financial support services, technology systems, administrative and in-house legal resources.

The transactions provided under above said agreements are fully exempt continuing connected transactions in accordance with Chapter 14A of the Hong Kong Listing Rules and are exempt from the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, the Group shall set a maximum daily deposit balance limit on the deposits of the Group's proprietary funds and client funds deposited at Everbright Bank. In the process of applying for the listing of H Shares with the Hong Kong Stock Exchange, the Company had made an application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange had granted the Company a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules, and such waiver will be valid until December 31, 2018. The Company has applied again to the Hong Kong Stock Exchange for a waiver from strict compliance with setting the maximum daily deposit balance limit as required under Rule 14A.53 of the Hong Kong Listing Rules, and was granted a waiver from the Hong Kong Stock Exchange, which waives the Company's obligation to set a maximum daily deposit balance limit on the deposits of the proprietary funds and client funds deposited at Everbright Bank.

Non-exempt continuing connected transactions

Property Leasing Framework Agreement

In the ordinary and usual course of the Group, the Group had leased certain properties in the PRC from Everbright Group and its associates for its offices and business uses. On the other hand, the Everbright Group and its associates had leased certain properties from the Group mainly for their business operations.

Before listing of H Shares of the Company on the Hong Kong Stock Exchange, the Company and the Everbright Group entered into a property leasing framework agreement (the "2016 Everbright Group Property Leasing Framework Agreement") and in the year 2018, the Company has renewed the property leasing framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Property Leasing Framework Agreement (the "2018 Everbright Group Property Leasing Framework Agreement") during the Reporting Period for a term of three years commencing from January 1, 2019 to December 31, 2021.

The principal terms of the 2018 Everbright Group Property Leasing Framework Agreement are as follows: (1) the rental shall be determined based on the market rent applicable to the leased property; (2) the Group and the Everbright Group or its related associates shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant leased property according to the principles, and within the parameters under the 2018 Everbright Group Property Leasing Framework Agreements; (3) the Group and the Everbright Group and its associates are entitled to lease additional gross floor area from and among the available properties owned by the other party during the term of the 2018 Everbright Group Property Leasing Framework Agreements; and (4) either party may, at any time before the applicable 2018 Everbright Group Property Leasing Framework Agreement expires, by giving not less than three months' written notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rental will be reduced accordingly.

SECTION V SIGNIFICANT EVENTS

In accordance with the 2018 Everbright Group Property Leasing Framework Agreement, the annual cap for the rental income from Everbright Group and its affiliated parties for the leased properties would be RMB6.0 million, RMB6.9 million and RMB8.0 million in 2019, 2020 and 2021, respectively; and the annual cap for the rental expenses to be incurred for the properties rented from Everbright Group and its affiliated parties would be RMB40.0 million, RMB46.0 million and RMB55.0 million in 2019, 2020 and 2021, respectively. In 2019, the actual amount of rental income from the properties leased to Everbright Group and its affiliated parties was RMB5.0 million, and the actual rental expenditure incurred for the properties rented from Everbright Group and its affiliated parties was RMB20.8 million.

Under the 2018 Everbright Group Property Leasing Framework Agreement, as the highest percentage ratio based on the relevant annual caps set out above is expected to be between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements in Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirement.

For details of the 2018 Everbright Group Property Leasing Framework Agreement, please refer to the announcement of the Company dated August 28, 2018.

Non-financial Miscellaneous Services Framework Agreement

In the ordinary and usual course of the Group's business, the Everbright Group and its associates provide certain nonfinancial services to the Group, and the Group expects that it will provide certain nonfinancial services to the Everbright Group and its associates. The non-financial miscellaneous services provided by the Everbright Group and its associates to the Group include, but not limited to, information technology and Internet network services, conference services, title sponsor services, network maintenance, printing and publication, books and audio/video products, renovation, training, medical care, corporate travel management, advertising and promotion, property management, consultancy services, labor outsourcing related services and other non-financial miscellaneous services. The non-financial miscellaneous services to be provided by the Group to the Everbright Group and its associates include, but not limited to, information technology and Internet network services, lease of advertising places, logistics, warehouse, consultancy services, labor outsourcing and other non-financial miscellaneous services.

To comply with the requirements of the Hong Kong Listing Rules, the Company has entered into a non-financial miscellaneous services framework agreement (the "2018 Everbright Group Nonfinancial Miscellaneous Services Framework Agreement") with the Everbright Group in 2018 pursuant to which, the Everbright Group and the Group will mutually provide certain non-financial miscellaneous services during the valid period of the 2018 Everbright Group Nonfinancial Miscellaneous Services Framework Agreement. The 2018 Everbright Group Non-financial Miscellaneous Services Framework Agreement shall be valid from January 1, 2019 to December 31, 2021.

In accordance with the 2018 Everbright Group Nonfinancial Miscellaneous Services Framework Agreement, the annual cap for the income from Everbright Group and its affiliated parties for providing non-financial miscellaneous services would be RMB3.0 million, RMB4.0 million and RMB5.0 million in 2019, 2020 and 2021, respectively; and the annual cap for the expenses to be incurred for non-financial miscellaneous services provided by Everbright Group and its affiliated parties would be RMB69.0 million, RMB86.0 million and RMB100.0 million in 2019, 2020 and 2021, respectively. In 2019, the actual amount of income from provision of non-financial miscellaneous services to Everbright Group and its affiliated parties was RMB0 million, and the actual expenditure incurred for the non-financial miscellaneous services provided by Everbright Group and its affiliated parties was RMB5.4 million.

SECTION V SIGNIFICANT EVENTS

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions contemplated under the 2018 Everbright Group Non-financial Miscellaneous Services Framework Agreement for the three years ending December 31, 2021 exceed 0.1% but are less than 5%. Accordingly, such continuing connected transactions are subject to the reporting, announcement and annual review but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details of the 2018 Everbright Group Nonfinancial Miscellaneous Services Framework Agreement, please refer to the announcement of the Company dated August 28, 2018.

Financial Products and Services Framework Agreement

In the ordinary and usual course of the Group's business, the Group regularly enters into securities and financial products transactions with, and provides securities and financial services to, Everbright Group and its associates. Likewise, Everbright Group and its associates also enter into securities and financial products transactions with, and provide securities and financial services to, the Group on normal commercial terms. The Company entered into a financial products and services framework agreement (the "2016 Everbright Group Financial Products and Services Framework Agreement") with Everbright Group before the listing of the Company's H Shares and on December 31, 2018, the Company has renewed the financial products and services framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Financial Products and Services Framework Agreement (the "2018 Everbright Group Financial Products and Services Framework Agreement") in 2018, for a term of three years commencing from January 1, 2019 to December 31, 2021.

A. Securities and Financial Products Transactions

The transaction of securities and financial products includes the transaction of various securities and financial products which are permitted to be traded by regulatory authorities.

The Securities and Financial Products Transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and the open-ended fund market. Such transactions are and will continue to be carried on at the prevailing market prices in the ordinary and usual course of the Group's business and with high frequency. The pricing mechanisms of the Securities and Financial Products Transactions depend on the particular trading venue on which the relevant transaction is carried on.

With respect to the pricing of securities and financial products without direct market quotations, the Company mainly refers to the quotation information provided by currency brokers. Currency brokers are entities set up with the approval of the CBIRC and subject to its regulation. Currency brokers specialize in facilitating transactions including intra-financial system financing, foreign exchange transactions, bond transactions and derivative transactions, who charge a commission from the provision of such brokerage services but do not directly engage in transactions of the relevant securities and financial products.

For the elaboration of the scope of the Securities and Financial Products Transactions under the 2018 Everbright Group Financial Products and Services Framework Agreement, please refer to the circular of the 2018 second extraordinary general meeting of the Company dated October 31, 2018.

In accordance with the 2018 Everbright Group Financial Products and Services Framework Agreement, the annual cap for cash inflow from the transaction of securities and financial products shall be RMB230,000 million, RMB280,000 million and RMB340,000 million in 2019, 2020 and 2021 respectively; and the annual cap for cash outflow for the transaction of securities and financial products shall be RMB230,000 million, RMB280,000 million and RMB340,000 million in 2019, 2020 and 2021 respectively. In 2019, the actual cash inflow from the transaction of securities and financial products was RMB117.6 billion; and the actual cash inflow for the transaction of securities and financial products was RMB134.5 billion.

SECTION V SIGNIFICANT EVENTS

B. Securities and Financial Services

Securities and financial services shall cover various securities and financial services permitted by regulatory authorities and mutually provided by the Group and Everbright Group and its affiliated parties, including but not limited to the services such as investment banking, brokerage, asset management, deposit and loan, proxy sales of financial products, insurance, etc. The price of such securities and financial services shall be determined through fair negotiation and by referring to the prevailing market price, industrial practice, the interest rate of deposit and loan as determined and published by the PBOC, and independent third party's price.

Further elaboration of the scope of the securities and financial services provided by the Group to the Everbright Group and its associates (or such services) under the 2018 Everbright Group Financial Products and Services Framework Agreement, please refer to the circular of 2018 second extraordinary general meeting of the Company dated October 31, 2018.

In accordance with the 2018 Everbright Group Financial Products and Services Framework Agreement, the annual cap for the revenue to be gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties shall be RMB950.0 million, RMB1050.0 million and RMB1200.0 million in 2019, 2020 and 2021 respectively; and the annual cap for the expense to be paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties shall be RMB250.0 million, RMB290.0 million and RMB330.0 million in 2019, 2020 and 2021 respectively. In 2019, the actual revenue gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties was RMB250.6 million, and the actual expense paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties was RMB223.4 million.

Under the 2018 Everbright Group Financial Products and Services Framework Agreement, as the highest applicable percentage ratio based on the relevant annual caps set out above are expected to be 5% or more on an annual basis, these transactions are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Details of the 2018 Everbright Group Financial Products and Services Framework Agreement are set out in the Company's announcement dated August 28, 2018 and the circular dated October 31, 2018 on the second extraordinary general meeting of 2018.

The Company had made its application to the Hong Kong Stock Exchange for a waiver from the strict compliance with the setting a maximum daily deposit balance limit as required by Rule 14A.53 of the Hong Kong Listing Rules and had obtained a waiver letter from the Hong Kong Stock Exchange on September 14, 2018, waiving the Company from the obligation of setting a maximum daily deposit balance limit under the 2018 Everbright Group Financial Products and Services Framework Agreement. For details of the reasons for the Company to apply for such waiver, please refer to the announcement of the Company dated September 17, 2018.

Pursuant to the requirements of the Notice on Further Strengthening the Relevant Matters Concerning the Supervision of Related Party Transactions of Securities Companies (Hu Zheng Jian Ji Gou Zi [2018] No. 198) issued by Shanghai Bureau of CSRC and relevant laws, the Company conducted special audit on the material related party transactions. The Company had one material related party transaction in 2019, which was conducted within the cap agreed under the related party transaction framework agreement executed between the Company and Everbright Group, and no abnormal matters came to the attention of the Company.

SECTION V SIGNIFICANT EVENTS

Confirmation of the Auditors

The Board has received the letter of confirmation from the Company's auditors in relation to the above-mentioned continuing connected transactions that are subject to the reporting, announcement, and/or independent shareholders' approval requirement. The Company's auditors confirmed that, during the Reporting Period:

1. nothing has come to their attention that causes them to believe that the above-mentioned continuing connected transactions have not been approved by the Board;
2. nothing has come to their attention that causes them to believe that the above-mentioned continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
3. nothing has come to their attention that causes them to believe that the above-mentioned continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
4. nothing has come to their attention that causes them to believe that the aggregate amount of the above-mentioned continuing connected transactions have exceeded the annual cap as set by the Company.

Independent Non-executive Directors' Confirmation

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions that are subject to the reporting, announcement, annual review and/or independent shareholders' approval requirements, and confirmed that the above-mentioned continuing connected transactions have been:

1. entered into in the Group's ordinary and usual course of business;
2. entered into on normal commercial terms or better; and
3. entered into according to the agreements regulating such continuing connected transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Related Party Transactions referred to in the Consolidated Financial Statements and Connected Transactions under the Hong Kong Listing Rules

Save as disclosed above, there is no related party connection or continuing related party transaction referred to in Note 61 to the Consolidated Financial Statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions of the Company.

SECTION V SIGNIFICANT EVENTS

VII. Material Contracts and Their Performance

(I) Guarantee

Unit: RMB in 100 million

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 and its subsidiaries for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	–
Total amount of guarantees provided for subsidiaries outstanding at the end of the Reporting Period (B)	122.79
Total amount of guarantees provided by the Company (including guarantees provided for subsidiaries)	
Total amount of guarantees (A+B)	122.79
Proportion of the total amount of guarantees to the Company's net assets (%)	25.05%
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	

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 December 31, 2019, the balance of such guarantees was approximately RMB5.285 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 December 31, 2019, the balance of such guarantees was approximately RMB6.994 billion.

SECTION V SIGNIFICANT EVENTS

VIII. Other Significant Events and Subsequent Events

(I) Relevant information on branches

As of the date of this report, the Company has been approved to cancel the securities brokerage branch at Qixing Road, Xinchang, Shaoxing, the securities brokerage branch at Santan Road, Tianjin, the securities brokerage branch at East Suzhou Avenue and the securities brokerage of Tangshan. The Company has completed the matters such as the transfer of customers, settlement of business and closure of the premises according to relevant requirements, and gone through formalities for industrial and commercial deregistration within 30 business days from the date of approval and verification by regulatory authorities. (For details, please refer to announcements No. Lin 2019-047, No. Lin 2020-011, No. Lin 2020-19 and No. Lin 2020-024 published on the website of SSE and announcements published on the Hong Kong Stock Exchange dated 16 August 2019, 21 January 2020, 12 February 2020 and 6 March 2020.)

(II) Events of litigations disclosed during the Reporting Period with no subsequent progress during the Reporting Period

- (1) For details on the Company's case against its stock pledge clients surnamed Zheng and surnamed Zhan, please refer to the announcement No. Lin 2019-041 published on SSE and the announcement published on the Hong Kong Stock Exchange dated 13 July 2019. The Company has made corresponding impairment provisions.
- (2) For details on the Company's case against its stock pledge clients surnamed Zhang and surnamed Ma, please refer to the announcement No. Lin 2019-045 published on SSE and the announcement published on the Hong Kong Stock Exchange dated 10 August 2019. The Company has made corresponding impairment provisions.
- (3) For details on the Company's case against its stock pledge client, Shihezi Ruichen Equity Investment Partnership (Limited Partnership) (石河子市瑞晨股權投資合夥企業(有限合夥)), please refer to the announcement Lin 2019-068 published on SSE and the announcement published on the Hong Kong Stock Exchange dated 29 November 2019. The Company has made corresponding impairment provisions.
- (4) For details on the Company's case against its margin trading and short selling client, Shihezi Ruichen Equity Investment Partnership (Limited Partnership) (石河子市瑞晨股權投資合夥企業(有限合夥)), please refer to the announcement Lin 2020-002 published on SSE and the announcement published on the Hong Kong Stock Exchange dated 7 January 2020. The Company has made corresponding impairment provisions.

(III) Relevant events of litigations disclosed in previous years and in progress during the Reporting Period

- (1) The Company's case against its stock pledge client surnamed Cui has been disclosed in "XVI. Progress of other significant events and analysis on their impact and solutions" under the section headed "3. MAJOR EVENTS" of the Company's 2018 third quarterly report. The first trial judgment regarding the case ruled that surnamed Cui shall repay the principal of RMB252 million, plus accrued interests and other costs. Surnamed Cui has filed an appeal. Currently, the Higher People's Court of Shanghai affirmed its original judgement in the second stance. The Company has made corresponding impairment provisions.
- (2) The Company submitted arbitration applications to China International Economic and Trade Arbitration Commission against Guo Fu Futures Co., Ltd.* (國富期貨有限公司) and to the Shanghai International Economic and Trade Arbitration Commission against Shanghai Yuben Enterprise Management Co., Ltd.* (上海御本企業管理有限公司) and surnamed Teng, over disputes on financial derivatives trading contracts. The cases have been disclosed in "XVI. Explanation on other significant events" under the section headed "SECTION V. SIGNIFICANT EVENTS" in the 2018 annual report. The Company has received arbitral award regarding the case of Guo Fu Futures as the respondent, requesting to pay net floating earnings of approximately RMB109,780,000, capital occupation fees of RMB5,710,000 during period of trading suspension, plus accrued interests and arbitration fees. The Company has received a binding arbitral award regarding the case of Shanghai Yuben Enterprise Management Co., Ltd. as the respondent, requesting that Shanghai Yuben Enterprise Management Co., Ltd. shall pay net floating earnings of approximately RMB109,780,000, capital occupation fees of RMB5,710,000 during period of trading suspension, plus accrued interests. The Company has received a binding arbitral award regarding the case of surnamed Teng as the respondent, requesting that surnamed Teng shall pay net floating earnings of approximately RMB99,650,000, capital occupation fees of RMB4,920,000 during period of trading suspension, plus accrued interests.

SECTION V SIGNIFICANT EVENTS

- (3) Everbright Capital filed an arbitration application against Ma Haike and Ningxia Dehong Jinrong Logistics Co., Ltd. (寧夏德泓金榮物流有限公司) over the disputes on the share repurchase agreement. The case has been disclosed in "VII Other Significant Events and Subsequent Events" under the section headed "SECTION V SIGNIFICANT EVENTS" in the 2018 annual report. Currently, the Company has received the arbitral award for the case, which requests that the respondents shall collectively pay the first batch of consideration for share transfer of RMB0.7 million and liquidated damages, and bear legal fees, arbitration fees, etc.
- (4) Ruifeng Investment Co., Ltd. (銳豐投資有限公司) in Ningbo Meishan bonded area (寧波梅山保稅港區) submitted a lawsuit against China Beijing Equity Exchange Co., Ltd. (北京產權交易所有限公司) and Everbright Fortune over equity transfer disputes. The case has been disclosed in "VII Other Significant Events and Subsequent Events" under the section headed "SECTION V SIGNIFICANT EVENTS" in the 2018 annual report. Currently, the plaintiff has withdrawn the accusation of Everbright Fortune as the co-defendant in this case.
- (5) The Company submitted an arbitration application against the respondent surnamed Huang on a dispute over the securities repurchase contract. The case has been disclosed in "3.2 Progress of significant events and analysis on their impact and solutions" under the section headed "3. MAJOR EVENTS" in the Company's 2019 third quarterly report published on SSE. At present, the case has been settled.
- (6) The Company's case against Zhejiang Runcheng Holding Group Co., Ltd. (浙江潤成控股集團有限公司) on a dispute over the pledge-style repo contract has been disclosed in "3.2 Progress of significant events and analysis on their impact and solutions" under the section headed "3. MAJOR EVENTS" in the Company's 2019 third quarterly report published on SSE. The Company has filed an appeal to Shanghai Financial Court after the People's Court of Jing'an District of Shanghai rejected the lawsuit on the jurisdictional ground, and Shanghai Financial Court has ruled to revoke the ruling of the People's Court of Jing'an District of Shanghai. Currently, the case is being tried in the People's Court of Jing'an District of Shanghai. The Company has made corresponding impairment provisions.
- (7) The Company has filed a judgment against Dalian Jinma Shoppingmall Enterprise Group Co., Ltd. (大連金瑪商城企業集團有限公司) in a bond transaction dispute, requesting Dalian Jinma Shoppingmall Enterprise Group Co., Ltd. shall pay the Company the bond with a principal of RMB325,281,000 (including a principal of RMB50 million of the bond held by the Company as bondholders, and the rest principal of the bond against which the Company as a trustee accepted the entrust of some bondholders to file a lawsuit on behalf of them), and interests, legal fees and other expenses, and supports the Company's claim that the guarantor shall assume joint and several liability and the pledger shall assume the responsibility for pledge guarantee.
- (8) The case, of which China Everbright Securities (HK) Limited filed a lawsuit against its client Mr./Ms. Man, has been disclosed in "VII Other Significant Events and Subsequent Events" under the section headed "SECTION V SIGNIFICANT EVENT" in the Company's 2018 annual report. Currently, the Company has received the first-instance judgement regarding the case. The court has ruled that Mr./Ms. Man shall pay the principal of all debts and accrued interest for a total of HK\$28,370,000, and bear the fees related to case acceptance and property preservation. Mr./Ms. Man filed an appealed over the judgement requesting him/her to bear the fees related to case acceptance, property preservation, etc., which has been docketed by Shenzhen Intermediate People's Court for second instance trial. The Company has made corresponding impairment provisions.

(IV) Relevant events of additional litigations during the Reporting Period and after the Reporting Period

- (1) On October 9, 2019, Everbright Leasing filed a lawsuit to Sanya Suburb People's Court (三亞市城郊人民法院) against Sanya Sente Property Development Co., Ltd. (三亞森特房地產開發有限公司), Sino Great Wall International Engineering Co., Ltd. (神州長城國際工程有限公司), Sino Great Wall Co., Ltd. (神州長城股份有限公司) and a natural person surnamed Chen on a dispute over the contract with an amount involved of approximately RMB15,340,000. Currently, the case has been accepted by Sanya Suburb People's Court. The Company has made corresponding impairment provisions.

SECTION V SIGNIFICANT EVENTS

- (2) On November 14, 2019, Everbright Capital submitted an arbitration application to China International Economic and Trade Arbitration Commission against Dalian Zeus Entertainment Co., Ltd. (大連天神娛樂股份有限公司), and natural persons surnamed Zhu and Wang over the disputes on the equity transfer agreement with an amount of RMB21,730,000. Currently, the case has been accepted by China International Economic and Trade Arbitration Commission. The Company has made corresponding impairment provisions.
- (3) On November 18, 2019, Everbright Capital submitted an arbitration application to China International Economic and Trade Arbitration Commission against a natural person surnamed Zhou and Guizhou Qingli Group Co., Ltd. (貴州青利集團有限公司) on a dispute over the share repurchase agreement with an amount of RMB31,970,000. Currently, the case has been accepted by China International Economic and Trade Arbitration Commission.

(V) Important events in relation to wholly-owned subsidiaries

Everbright Jinhui Investment Management (Shanghai) Co., Ltd. ("Everbright Jinhui"), is a subsidiary engaged in fund management of Everbright Capital, a wholly-owned subsidiary of the Company. The investment project of Shanghai JinXin Investment Consultancy Partnership (Limited Partnership) ("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 inferior partners. By taking into overall consideration of various factors and based on the principle of prudence, the Company has made a provision for estimated liabilities of RMB1.4 billion and asset impairment of the corresponding equity investments and receivables of RMB120,862,600, representing a decrease in the consolidated net profit by approximately RMB1,140,647,000. The provision for estimated liabilities was RMB1,610,920,000. For details, please refer to Company's announcements No. Lin 2019-008, No. Lin 2019-012, No. Lin 2019-016, No. Lin 2019-037 No. Lin 2019-051 and No. Lin 2020-015 published on SSE website.

Due to the above matter, Shanghai Hua Rui Bank Co., Ltd. filed lawsuits against Everbright Capital by virtue of other contract disputes and applied for arbitration against Everbright Jinhui by virtue of the dispute in relation to the supplemental agreement of the partnership agreement. Shenzhen Hengxiang Equity Investment Fund LLP (limited partnership) (深圳恒祥股權投資基金企業(有限合夥)) applied for arbitration against Everbright Jinhui, Baofeng (Tianjin) Investment Management Co., Ltd. (暴風(天津)投資管理有限公司), Shanghai Qunchang Financial Services Company Limited (上海群暢金融服務有限公司) due to the private equity investment contract dispute. Jiaying Zhaoyuan Yongjin Equity Investment Fund Partnership Enterprise (Limited Partnership) (嘉興招源湧津股權投資基金合夥企業(有限合夥)) applied for arbitration against Everbright Jinhui due to the private equity investment contract dispute. China Merchants Bank Co., Ltd. (招商銀行股份有限公司) filed a lawsuit against Everbright Capital due to the other contract dispute. Everbright Jinhui and Jinhui Fund filed lawsuits against Baofeng Group Co., Ltd and Feng Xin due to the share repurchase contract dispute. (For details, please refer to "3.2 Progress of significant events and description of their effects and solutions" of "SECTION III SIGNIFICANT EVENTS" of the third quarterly report of 2018, "XVI. Description of other significant events" of "SECTION V SIGNIFICANT EVENTS" of the annual report of 2018, "XV. Description of other significant events" of "SECTION V SIGNIFICANT EVENTS" of the interim report of 2019 and the announcement No. Lin 2019-037 of the Company, which published on SSE website. At present, the above cases are at trial stages.

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 and enterprise's name, focusing on pre-control of subsidiary's 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 a specific working group to duly perform risk disposal work, strengthen the debt collection efforts at home and abroad, and proactively protect the legitimate rights and interests of the Company and all of its shareholders.

SECTION V SIGNIFICANT EVENTS

IX. Tax Relief

(I) A Share shareholders

In accordance with the Notification of the MOF, the State Administration of Taxation and the CSRC on the Issues Concerning Differential Personal Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101), for the listed companies' shares obtained by individuals from public issue and transfer market, where the holding period is more than one year, the income from dividend may be temporarily exempted from personal income tax; for the listed companies' shares obtained by individuals from public issue and transfer market, where the share holding period is within one month (including one month), the full amount of income from dividends shall be taken into the amount of taxable income; where the holding period is from one month to one year (including one year), the income from dividends shall be 50% taken into the amount of taxable income. For the above-mentioned income, personal income tax shall be uniformly calculated and levied as per 20% tax rate. When distributing dividends, listed companies may not withhold personal income tax where personal shareholding is within one year (including one year); when individuals transfer their shares, the securities registration and settlement company shall calculate the amount of tax to be paid according to their shareholding period, the shares custody institutions such as securities companies, etc. shall deduct and transfer the amount of taxes from their personal fund accounts to the securities registration and settlement company. Within 5 working days of the next month, the securities registration and settlement company shall transfer and pay such taxes to the listed companies. Within the statutory declaration period of the very month when receiving the taxes, the listed companies shall declare for tax payment to the competent tax authorities.

As for resident corporate shareholders holding A Shares of the Company, the enterprise income tax on the dividends obtained by them shall be declared and paid by themselves.

As for qualified foreign institutional investors (QFII), in accordance with the provisions of the Notification of the State Administration of Taxation on the Issuers Concerning Withholding of Enterprise Income Tax on the Dividends, Bonus and Interests Paid by Chinese Resident Enterprises to QFII (Guo Shui Han [2009] No. 47), listed companies shall withhold enterprise income tax at the tax rate of 10%. Where the dividend and bonus income obtained by QFII shareholders need to enjoy the treatment of tax treaty (arrangement), QFII shareholders may apply for tax refund to competent tax authorities independently after obtaining the dividends and bonus according to regulations, and the competent tax authorities may execute the regulations of tax treaty after checking and confirming that every item is correct.

As for non-resident enterprise shareholders holding A Shares of the Company other than the aforesaid QFII, in accordance with the relevant provisions of the Interim Measures for Management on Source Withholding of Non-resident Enterprise Income Tax (Guo Shui Fa [2009] No. 3) and the Written Reply of the State Administration of Taxation on the Issues Concerning the Levying of Enterprise Income Tax on the Dividends of B Share Obtained by Non-Resident Enterprises (Guo Shui Han [2009] No. 394), etc., listed companies shall withhold enterprise income as per the tax rate 10%. Non-resident enterprises' shareholders shall follow relevant provisions executed by tax treaty where they need to enjoy the treatment of tax treaty.

In accordance with the provisions of the Notification of the MOF, the State Administration of Taxation and the CSRC on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shanghai-Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the dividend income obtained by Hong Kong investors (including enterprises and individuals) from investment in A shares listed on the SSE, before Hong Kong Securities Clearing Company Limited meets the conditions of providing detailed data about investors' identities and shareholding time, etc. to China Securities Registration and Settlement Co., Ltd., the differential tax levying policies won't be executed temporarily according to shareholding time, while listed companies shall withhold the income tax as per the 10% tax rate and handle the withholding declaration to their competent tax authorities. Where some Hong Kong investors belong to other countries' tax residents, and the dividend income tax rate regulated in the tax treaty signed by and between their countries and China is lower than 10%, the enterprises or individuals may, personally or by entrusting the withholding obligator, file an application for enjoying the treatment of tax treaty to the competent tax authorities of the listed companies. After examination and approval, the competent tax authorities shall reimburse the taxes according to the balance between the amount of tax already levied and the tax payable as calculated as per the tax rate in the tax treaty.

SECTION V SIGNIFICANT EVENTS

In accordance with the provisions of the Notification of the MOF, the State Administration of Taxation and the CSRC on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shenzhen-Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the dividend income obtained by Hong Kong investors (including enterprises and individuals) from investment in A shares listed on the SZSE, before Hong Kong Securities Clearing Company Limited meets the conditions of providing detailed data about investors' identities and shareholding time, etc. to China Securities Registration and Settlement Co., Ltd., the differential tax levying policies won't be executed temporarily according to shareholding time, while listed companies shall withhold the income tax as per the 10% tax rate and handle the withholding declaration to their competent tax authorities. Where some Hong Kong investors belong to other countries' tax residents, and the dividend income tax rate regulated in the tax treaty signed by and between their countries and China is lower than 10%, the enterprises or individuals may, personally or by entrusting the withholding obligator, file an application for enjoying the treatment of tax treaty to the competent tax authorities of the listed companies. After examination and approval, the competent tax authorities shall reimburse the taxes according to the balance between the amount of tax already levied and the tax payable as calculated as per the tax rate in the tax treaty.

(II) H Share shareholders

In accordance with the provisions of the Notification of the State Administration of Taxation on the Issues Concerning the Levying and Management of Personal Income Tax after Cancellation of Guo Shui Fa [1993] No. 045 Archives (Guo Shui Han [2011] No. 348, for the dividend income obtained by foreign resident individual shareholders from holding the shares issued by domestic non-foreign-invested enterprises in Hong Kong, the withholding obligators shall withhold personal income tax according to law by the items "interest, dividend and bonus income". As for the shares issued in Hong Kong by domestic non-foreign-invested enterprises, their foreign resident individual shareholders may enjoy relevant tax preference according to the tax treaty signed by the country to which their resident identities belong and China, and the tax arrangements between Chinese Mainland and Hong Kong (Macao). The interest rate on relevant dividends regulated in relevant tax treaty and tax arrangement is generally 10%. In order to simplify tax levying and management, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends and bonuses, withhold personal income tax according to the tax rate 10%, instead of filing an application for the withholding. Under the circumstances under which the tax rate on dividends is not 10%, the following regulations shall be followed: (1) Where the individuals obtaining dividends and bonuses are residents of the agreement countries executing a tax rate of lower than 10%, the withholding obligator may apply for the treatment of relevant agreement for such dividends according to regulations, and refund the over-withheld tax after obtaining the approval of competent tax authorities; (2) where the individuals obtaining dividends and bonuses are residents of the agreement countries executing a tax rate of higher than 10% but less than 20%, the withholding obligator shall withhold personal income tax as per actual tax rate without filing an application when distributing dividends and bonuses; and (3) where the individuals obtaining dividends and bonuses are residents of countries having not concluded tax treaty with China or belong to other circumstances, the withholding obligator shall withhold personal income tax as per the tax rate 20% when distributing dividends and bonuses.

In accordance with the provisions of the Notification of the State Administration of Taxation on the Issues Concerning the Withholding of Enterprise Income Tax on the Dividends Distributed by Chinese Resident Enterprises to Foreign H Share Non-Resident Corporate Shareholders (Guo Shui Han [2008] No. 897), when distributing dividends of 2008 and later years to foreign H share non-resident corporate shareholders, Chinese resident enterprises shall uniformly withhold enterprise income tax as per the tax rate 10%. After obtaining dividends, foreign non-resident corporate shareholders may, personally or by entrusting an agent or withholding obligatory, file an application for enjoying the treatment of tax treaty (arrangement) to competent tax authorities, and provide the data proving that they are the actual beneficial owners meeting the provisions of tax treaty (arrangement). After checking and affirming the data, the competent tax authorities shall reimburse the tax according to the balance between the amount of tax already levied and the tax payable as calculated as per the tax rate regulated in the tax treaty (arrangement).

SECTION V SIGNIFICANT EVENTS

In accordance with the provisions of the Notification of the MOF, the State Administration of Taxation and the CSRC on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shanghai-Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the dividends and bonuses obtained by Chinese Mainland personal investors from investment in H Shares listed with Hong Kong Exchanges and Clearing Limited through Shanghai-Hong Kong Stock Connect, H Share companies shall withhold personal income tax as per the tax rate 20%. For the dividends and bonuses obtained by Chinese Mainland securities investment funds from investment in shares listed with Hong Kong Exchanges and Clearing Limited through Shanghai-Hong Kong Stock Connect, personal income tax shall be calculated and levied according to the above regulations. Individual investors who have paid withholding taxes overseas, with effective taxation certificates, can apply to competent taxation authorities under CSDC for tax credit. Gains on dividends derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Wherein, for the dividend and bonus income obtained by Chinese Mainland resident enterprises from holding of H share continuously for 12 months, enterprise income tax shall be exempted according to law.

In accordance with the provisions of the Notification of the MOF, the State Administration of Taxation and the CSRC on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shenzhen-Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the dividends and bonuses obtained by Chinese Mainland personal investors from investment in H Shares listed with Hong Kong Exchanges and Clearing Limited through Shenzhen-Hong Kong Stock Connect, H Share companies shall withhold personal income tax as per the tax rate 20%. For the dividends and bonuses obtained by Chinese Mainland securities investment funds from investment in shares listed with Hong Kong Exchanges and Clearing Limited through Shenzhen-Hong Kong Stock Connect, personal income tax shall be calculated and levied according to the above regulations. For the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of CSDC with an effective credit document. Gains on dividends derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Wherein, for the dividend and bonus income obtained by Chinese Mainland resident enterprises from holding of H share continuously for 12 months, enterprise income tax shall be exempted according to law.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

The Company's shareholders pay relevant taxes and/or enjoy tax reduction and exemption according to the above-mentioned regulations.

X. Other Information

1. There was no embezzlement of funds of the Company during the Reporting Period.
2. During the Reporting Period, the external auditors engaged by the Company did not issue any non-standard audit report.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

I. Changes in Ordinary Share Capital

(I) Changes in ordinary share capital

During the Reporting Period, there were no changes in the total number of the Company's ordinary shares and the structure of share capital.

As of December 31, 2019, the number of the Company's shares in issue amounted to 4,610,787,639, including 3,906,698,839 A Shares and 704,088,800 H Shares.

II. Issuance and Listing of Securities

(I) Issuance of securities during the Reporting Period

Types of shares and their derivative securities	Issue date	Issue price (or interest rate)	Issue size (RMB in 100 million)	Date of listing	Number of shares permitted to be listed for trading (RMB in 100 million)	Date of termination of transaction
Convertible corporate bonds, detachable convertible bonds and corporate bonds						
corporate bonds	January 22, 2019	3.88%	30	February 1, 2019	30	January 22, 2022
corporate bonds	August 22, 2019	3.75%	30	August 30, 2019	30	August 22, 2022

For details of bonds issued by the subsidiaries of the Company during the Reporting Period, please refer to Note 54 to the consolidated financial statements.

(II) Description of issuance of securities during the Reporting Period

For details of various bonds issued by the Company, please refer to section IX "Relevant Information on Corporate Bonds" of this report.

III. Information of Shareholders and De Facto Controller

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the Reporting Period	102,048 (of which 101,864 were holders of A Shares and 184 were registered holders of H Shares)
Total number of shareholders of ordinary shares at the end of last month preceding the date of disclosure of the annual report	101,259 (of which 101,076 were holders of A Shares and 183 were registered holders of H Shares)

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

Unit: Shares

Name of shareholders (Full name)	Shareholding of top ten shareholders					
	Changes in the number of shares during the Reporting Period	Number of shares held as of the end of the Reporting Period	Percentage (%)	Pledged or frozen shares		
				Status of shares	Number of shares	Nature of shareholders
China Everbright Group Ltd.	0	1,159,456,183	25.15	Nil	-	State-owned legal person
China Everbright Limited	0	982,250,000	21.30	Nil	-	Foreign legal person
HKSCC Nominees Limited	(8,080)	703,634,900	15.26	Unknown	-	Unknown
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	0	147,518,447	3.20	Nil	-	Others
China Securities Finance Corporation Limited	0	137,863,472	2.99	Nil	-	Others
HKSCC Limited	(37,885,431)	66,553,009	1.44	Nil	-	Others
China Great Wall Asset Management Co.,Ltd.	0	54,978,619	1.19	Nil	-	State-owned legal person
Central Huijin Asset Management Ltd.	0	37,568,900	0.81	Nil	-	State-owned legal person
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan	0	24,431,977	0.53	Nil	-	Others
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	0	23,174,586	0.50	Nil	-	Others

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Shareholding of top ten shareholders without selling restrictions

Name of shareholders (Full name)	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
China Everbright Group Ltd.	1,159,456,183	RMB ordinary shares	1,159,456,183
China Everbright Limited	982,250,000	RMB ordinary shares	982,250,000
HKSCC Nominees Limited	703,634,900	Overseas listed foreign shares	703,634,900
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
HKSCC Limited	66,553,009	RMB ordinary shares	66,553,009
China Great Wall Asset Management Co., Ltd.	54,978,619	RMB ordinary shares	54,978,619
Central Huijin Asset Management Ltd.	37,568,900	RMB ordinary shares	37,568,900
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse 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
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 any connected relationships or action in concert between the above shareholders.		

Notes:

1. Among the H shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
2. In the table above, the shares held by HKSCC Nominees Limited are listed foreign shares (H Shares) and the shares held by other shareholders are RMB ordinary shares (A Shares). HKSCC Limited is the nominee holder of the Shanghai-Hong Kong Stock Connect shares.
3. The nature of shareholders of A Shares set out in the table above represents that of accounts registered by such shareholders with China Securities Depository and Clearing Corporation Limited (Shanghai Branch).

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

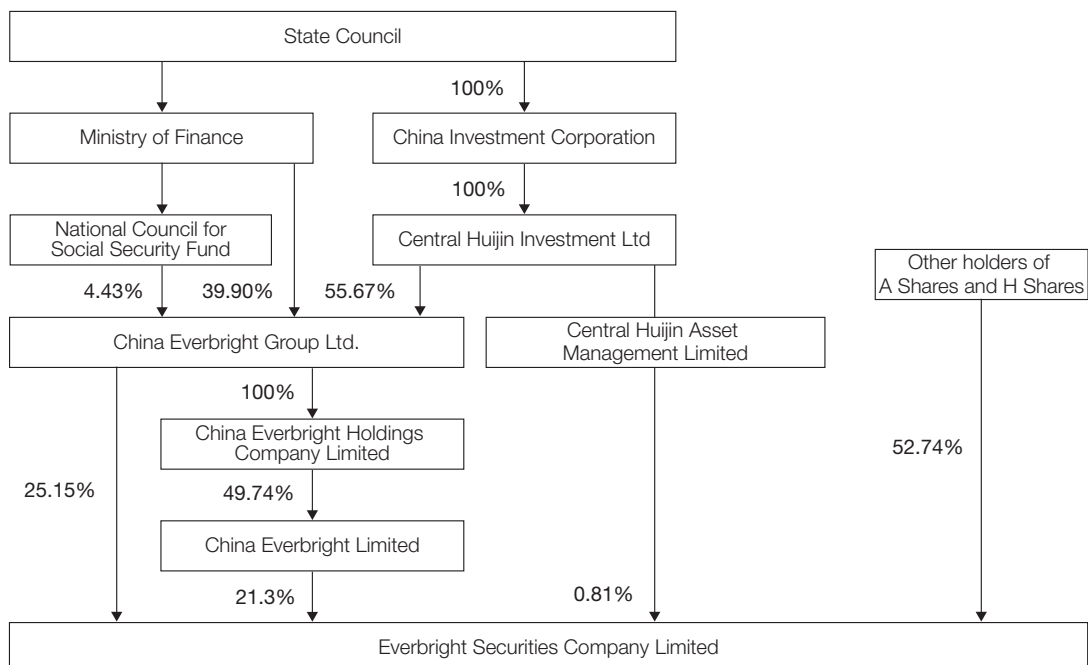
IV. Controlling Shareholder and De Facto Controller

(I) Controlling shareholder

1. Legal person

Name	China Everbright Group Ltd.
Person in charge of the unit or legal representative	Li Xiaopeng
Date of establishment	November 12, 1990
Principal business	Investment and management of the financial business, including banking, securities, insurance, funds, trust, futures, leasing, gold and silver transactions; asset management; investment and management of non-financial business. (the business activities required to obtain approval by law may only be carried out after such approvals are obtained)
Shareholding in other domestic and overseas listed subsidiaries and investees during the Reporting Period	directly and indirectly holding 29.00% of Everbright Bank directly and indirectly holding 49.74% of Everbright Limited directly and indirectly holding 42.39% of China Everbright International Limited directly and indirectly holding 20.00% of China CYTS Tours Holding Co., Ltd. directly and indirectly holding 28.47% of Cachet Pharmaceutical Co., Ltd. directly and indirectly holding 74.99% of Everbright Grand China Assets Limited directly and indirectly holding 3.99% of Shenwan Hongyuan Group Co., Ltd.

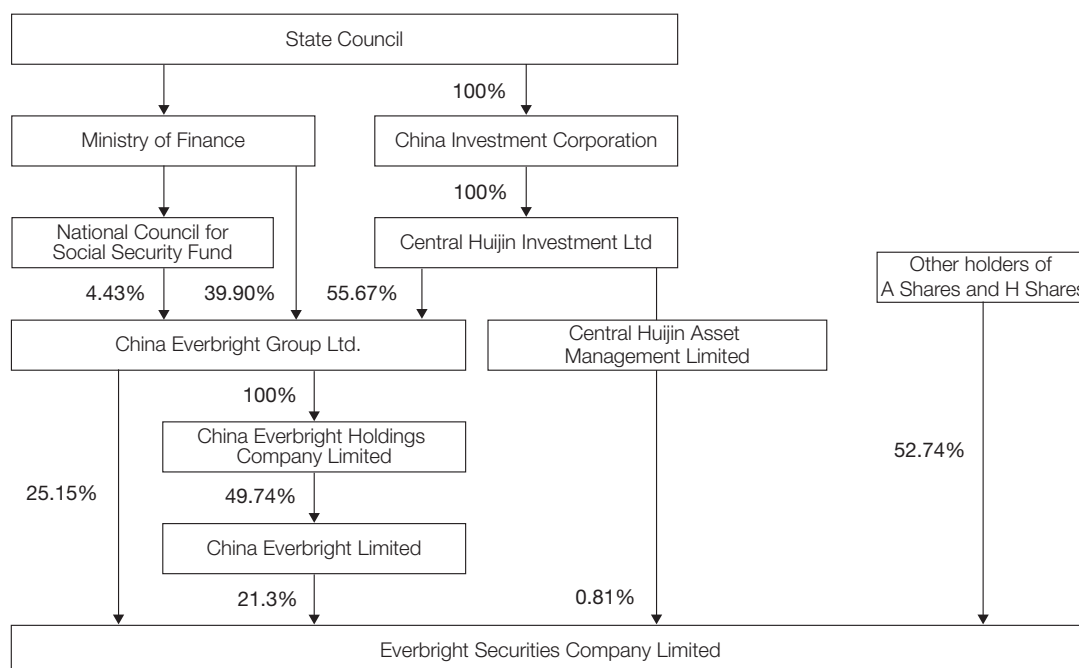
2. Chart of the ownership and controlling relationship between the Company and controlling shareholder



SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

(II) De facto controller

- The de facto controller shall be disclosed to the level of state-owned assets management authority in accordance with the No. 2 of Contents and Format of the Information Disclosure for Companies Offering Securities Publicly – the Contents and Format of Annual Report (revised in 2017). The de facto controller of the Company is the State Council, the ownership and controlling relationship between the Company and the de facto controller is as shown as above.
- Chart of the ownership and controlling relationship between the Company and de facto controller*



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

As of December 31, 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:

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholders ⁷	Type of share	Nature of interests	Number of corresponding shares of the Company held ⁶ (share)	Percentage of total issued shares of the Company ⁶ (%)	Percentage of total issued A Shares/ H Shares of the Company ⁶ (%)	Long position/ short position
1	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	A Share	Interests in controlled corporation ¹	37,568,900	0.81	0.96	Long position
		A Share	Interests in controlled corporation ²	2,141,706,183	46.45	54.82	Long position
		A Share		2,179,275,083	47.26	55.78	Long position
2	Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	A Share	Beneficial owners	37,568,900	0.81	0.96	Long position
3	China Everbright Group Ltd. (中國光大集團股份公司)	A Share	Beneficial owners	1,159,456,183	25.15	29.68	Long position
		A Share	Interests in controlled corporation ³	982,250,000	21.30	25.14	Long position
		A Share		2,141,706,183	46.45	54.82	Long position
4	China Everbright Holdings Company Limited (中國光大集團有限公司)	A Share	Interests in controlled corporation ³	982,250,000	21.30	25.14	Long position
5	Datten Investments Limited	A Share	Interests in controlled corporation ³	982,250,000	21.30	25.14	Long position
6	Honorich Holdings Limited	A Share	Interests in controlled corporation ³	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 ⁴	138,812,800	3.01	19.72	Long position
9	China State Construction Engineering Corporation Limited (中國建築股份有限公司)	H Share	Interests in controlled corporation ⁴	138,812,800	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 ⁵	131,344,200	2.85	18.65	Long position

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. Guangdong Hengjian Investment Holding Co., Ltd held 100% of the total issued share capital in Hengjian International Investment Holding (Hong Kong) Limited. Accordingly, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in Hengjian International Investment Holding (Hong Kong) Limited's interest in the Company under the SFO.
6. As of December 31, 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.
7. 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.

Save as disclosed above, as of December 31, 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.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

V. Other Legal-person Shareholders with More Than 10% Shareholding

Name of legal-person shareholder	Person in charge of the unit or legal representative	Date of establishment	Code of the organization	Registered capital	Main business or managed activities
China Everbright Limited	Cai Yunge	August 25, 1972 (China Everbright Limited was previously known as Intercontinental Housing Development Ltd. (明輝發展有限公司), and its name was changed to China Everbright Limited in 1997)	N/A	HK\$1,685,253,712 (as of December 31, 2019)	China Everbright Limited is the only Hong Kong listed company with alternative asset management as its core business in China. China Everbright Group Ltd. is the Company's largest shareholder, holding 49.74% of its shares. The Company is committed to becoming "the world's leading cross-border asset management company", with fund management and its own capital investment as its main business operations. On the one hand, the Company focuses on the development of fund management business, on the other hand, it provides the funds needed for project cultivation and fund development through its own fund investment business, and promotes overall and sustainable development.

VI. Sufficient Public Float

The Company has made an application to the Hong Kong Stock Exchange when applying for the listing of its H Shares, and the Hong Kong Stock Exchange has granted the Company a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of:

- 14.39% of the total issued share capital of the Company;
- such percentage of H Shares of the total issued share capital of the Company to be held by the public immediately after completion of the global offering (assuming the over-allotment option is not exercised); or
- such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public after the exercise of the over-allotment option.

According to the data which is publicly available to the Company and to the best knowledge of the Directors as of the latest practicable date prior to the publication of this annual report, the Company has always maintained the public float as required by the Hong Kong Stock Exchange since the Company's H Shares were listed on the Hong Kong Stock Exchange on August 18, 2016.

VII. 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 listed securities of the Company or its subsidiaries.

VIII. Preference Shares

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

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

I. Changes in Shareholding and Remuneration

(I) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period

1. The basic information of current Directors, Supervisors and senior management is as follow:

Name	Position (note)	Gender	Year of birth	Start of the term of office	Expiration of the term of office	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any related party of the Company or not
Yan Jun	Chairman, Executive Director	Male	1970	July 3, 2019	October 16, 2020	248.35	No
Liu Qiuming	Executive Director, President	Male	1976	March 13, 2020	October 16, 2020	-	No
Song Bingfang	Non-executive Director	Male	1971	August 13, 2018	October 16, 2020	-	Yes
Yin Lianchen	Non-executive Director	Male	1966	October 17, 2017	October 16, 2020	-	Yes
Chan Ming Kin	Non-executive Director	Male	1969	October 17, 2017	October 16, 2020	-	Yes
Xue Keqing	Non-executive Director	Male	1963	November 9, 2017	October 16, 2020	-	Yes
Meng Xiangkai	Non-executive Director	Male	1961	March 15, 2019	October 16, 2020	-	Yes
Xu Jingchang	Independent Non-executive Director	Male	1965	October 17, 2017	October 16, 2020	12.11	No
Xiong Yan	Independent Non-executive Director	Male	1956	October 17, 2017	October 16, 2020	12.11	No
Li Zheping	Independent Non-executive Director	Male	1965	October 17, 2017	October 16, 2020	12.11	No
Au Sing Kun	Independent Non-executive Director	Male	1952	October 17, 2017	October 16, 2020	12.11	No
Wang Yong	Independent Non-executive Director	Male	1966	November 1, 2018	October 16, 2020	12.11	No
Liu Jiping	Chairman of the Supervisory Committee	Male	1964	October 17, 2017	October 16, 2020	333.57	No
Zhang Jingcai	Supervisor	Male	1963	October 17, 2017	October 16, 2020	-	Yes
Wang Hongyang	Supervisor	Male	1977	October 17, 2017	October 16, 2020	-	Yes
Zhu Wuxiang	External Supervisor	Male	1965	October 17, 2017	October 16, 2020	8.33	No
Sun Wenqiu	External Supervisor	Male	1967	September 30, 2018	October 16, 2020	8.33	No
Wang Wenyi	Employee Supervisor	Female	1966	October 17, 2017	October 16, 2020	96.45	No
Huang Qin	Employee Supervisor	Female	1975	October 17, 2017	October 16, 2020	106.36	No
Li Xianzhi	Employee Supervisor	Male	1965	October 17, 2017	October 16, 2020	121.99	No
Xiong Guobing	Senior expert	Male	1968	September 14, 2007	-	298.22	No
Wang Cuiting	Chairman of the Labor Union, Senior expert	Female	1966	May 30, 2005	-	297.99	No
Wang Zhong	Vice President	Male	1972	March 12, 2015	-	313.33	No
Mei Jian	Vice President	Male	1970	January 12, 2017	-	318.56	No
Zhu Qin	Vice President, Chief Compliance Officer, Chief Risk Officer, Secretary to the Board	Female	1970	February 6, 2017	-	203.48	No
Li Bingtao	Business Line Director	Male	1976	February 13, 2017	-	248.95	No
Dong Jie	Business Line Director	Female	1967	July 22, 2017	-	198.10	No
Total						2,862.56	

Notes:

- The Directors, Supervisors and senior management of the Company do not hold any shares of the Company, and there was no change in shareholdings during the Reporting Period.

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

2. On January 25, 2019, as considered and approved at the 11th meeting of the fifth session of the Board of Directors of the Company, Mr. Yan Jun was elected to be the vice chairman of the fifth session of the Board of Directors; on April 29, 2019, as considered and approved at the 14th meeting of the fifth session of the Board of Directors of the Company, Mr. Yan Jun was elected to be the chairman (executive Director) of the fifth session of the Board of Directors of the Company. Upon the approval by relevant regulatory authorities, since July 3, 2019, Mr. Yan Jun has been the chairman (executive Director) of the Company and ceased to be the vice chairman of the Company.
3. On January 16, 2020, as considered and approved at the 19th meeting of the fifth session of the Board of Directors of the Company, Mr. Liu Qiuming was elected to be the president of the Company, and nominated to be a candidate of executive Director of the Company. On March 3, 2020, as considered and approved at the first extraordinary general meeting of the Company in 2020, Mr. Liu Qiuming was elected as an executive Director of the Company. According to the newly revised Securities Law and the CSRC's Announcement on the Cancellation or Adjustment of Certain Administrative Examination and Approval Items of Securities Companies (CSRC Announcement [2020] No. 18), the appointment of Mr. Liu Qiuming as an executive Director and the president of the Company became effective from March 13, 2020.
4. On April 28, 2019, the Board of Directors received a resignation letter of from Mr. Xue Feng, the chairman of the Company. Mr. Xue Feng resigned from his positions as the chairman and an executive Director of the Company. During the Reporting Period, the total pre-tax remuneration received by Mr. Xue Feng from the Company was RMB1.3673 million.

On December 27, 2019, the Board of Directors of the Company received a written letter of resignation from Mr. Ju Hao, a non-executive Director of the Company. Mr. Ju Hao resigned from his positions as a non-executive Director and a member of the Risk Management Committee of the Board of the Company.

On October 7, 2019, the Board of Directors of the Company received a letter of resignation from Mr. Zhou Jiannan, the executive president of the Company. Mr. Zhou Jiannan resigned from the position as the executive president and other positions of the Company. During the Reporting Period, the total pre-tax remuneration received by Mr. Zhou Jiannan from the Company was RMB2.7173 million.

On August 1, 2019, the Board of Directors of the Company received a letter of resignation from Mr. Wang Yong, the chief risk officer of the Company. Mr. Wang Yong resigned from his position as the chief risk officer of the Company. During the Reporting Period, the total pre-tax remuneration received by Mr. Wang Yong from the Company was RMB3.0528 million.

In October 2019, the Board of Directors of the Company received a letter of resignation from Ms. Chen Lan, the chief compliance officer of the Company. Ms. Chen Lan resigned from her position as the chief compliance officer and other positions of the Company. During the Reporting Period, the total pre-tax remuneration received by Ms. Chen Lan from the Company was RMB1.8025 million.

On December 27, 2019, the Board of Directors of the Company received a letter of resignation from Mr. Pan Jianyun, a business line director of the Company. Mr. Pan Jianyun resigned from his position as a business line director of the Company. During the Reporting Period, the total pre-tax remuneration received by Mr. Pan Jianyun from the Company was RMB2.2797 million.

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

5. On December 31, 2019, as considered and approved at the 18th meeting of the fifth session of the Board of Directors of the Company, Ms. Zhu Qin, the secretary to the Board, was appointed to be a vice president, the chief compliance officer and the chief risk officer. Her appointment as the vice president and the chief risk officer took effect from the date of the consideration and approval by the Board of Directors. Later the Company received the Letter of No Objection to the Appointment of Ms. Zhu Qin as the Chief Compliance Officer of Everbright Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2020] No.51) 《關於對朱勤同志擔任光大證券股份有限公司合規負責人的無異議函》(滬證監機構字〔2020〕51號)) from the Shanghai Securities Regulatory Bureau of CSRC. Ms. Zhu Qin's appointment as the chief compliance officer was effective on February 27, 2020.
6. Mr. Li Bingtao receives remuneration as the business line director from overseas subsidiaries of the Company. His remuneration shown above was converted into RMB amount from HK dollars.

2. *Biographical Details of Current Directors, Supervisors and Senior Management*

Name	Main Working Experience
Yan Jun (閔峻)	Mr. Yan currently serves as the chairman and executive Director of the Company. He previously served at Industrial and Commercial Bank of China Limited ("ICBC") as deputy director of the credit department of communications and trade of the head office branch, deputy director and director of the third business department of the head office branch, vice general manager of the head office branch, executive director and vice president of ICBC Financial Leasing Co., Ltd., vice president and member of the party committee of Jiangxi Branch of ICBC and vice general manager and general manager of the special financing department (branch office) of the head office of ICBC; the officer of deepening reform and the executive deputy director of the Central Leading Group for Comprehensively Deepening Reforms of Everbright Group.
Liu Qiuming (劉秋明)	Mr. Liu currently serves as the executive Director and the president of the Company. He previously served as the head of the institutional customer business of Shenyin & Wanguo Securities Co., Ltd (currently known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司), a company listed on the SZSE and the Hong Kong Stock Exchange, SZSE stock code: 000166, Hong Kong Stock Exchange stock code: 6806), the managing director of UBS Securities Co., Limited (瑞銀證券有限責任公司), an executive member of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司, a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 601318, Hong Kong Stock Exchange stock code: 2318), the vice president of Ping An Securities Co., Ltd. (平安證券有限責任公司), and the chairman of the board and president of CMIG Capital Company Limited (中民投資本管理有限公司).

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

Name	Main Working Experience
Song Bingfang (宋炳方)	Mr. Song is currently a non-executive Director of the Company and a senior expert in the board office of China Everbright Group Ltd. He was a cadre of the business development department of China Investment Bank (中國投資銀行), a cadre of the market and industry analysis bureau of China Development Bank (國家開發銀行), a cadre, deputy head, head and senior manager of corporate business department of Everbright Bank, (during the same period, he took a temporary post as an assistant to director of the financial affairs office of the People's Government of Inner Mongolia Autonomous Region) and the director and assistant to the general manager of the strategic planning department, assistant to the director and deputy director of the office of the Board of Directors (and the Supervisory Committee), and the deputy director of the office of the Board of Directors of Everbright Group.
Yin Lianchen (殷連臣)	Mr. Yin is currently a non-executive Director of the Company, chief investment officer and a member of the Management Decision Committee, executive Director, and a member of the Executive Committee and the Strategy Committee of Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 165) and a supervisor of Everbright Bank (a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 601818, Hong Kong Stock Exchange stock code: 6818). He held various positions in Everbright Limited, including the general manager of the insurance agency department and general manager of the corporate planning and communications department. Mr. Yin worked as chief representative of China region of America Moody KMV Company, vice president of Beijing Yangde Investment Co., Ltd. (北京揚德投資有限公司), director of the general division of the general office of Everbright Group and assistant general manager and member of the management committee of Everbright Limited.
Chan Ming Kin (陳明堅)	Mr. Chan is currently a non-executive Director of the Company, chief legal counsel and company secretary and a member of the investment decision committee of Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 165). He served as a Supervisor of the Company. Mr. Chan is a Hong Kong lawyer, also a fellow of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
Xue Keqing (薛克慶)	Mr. Xue is currently a non-executive Director of the Company and the secretary of the board of China State Construction Engineering Corporation Limited (中國建築股份有限公司). He previously served as general manager of the treasury department, general manager of the finance department and deputy chief accountant of China State Construction Engineering Corporation Limited, general manager and legal representative of China Construction CPA Limited, vice chairman, director and general manager of China State Construction Finance Co., Ltd, and the chief financial officer of China State Construction Engineering Corporation Limited.

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

Name	Main Working Experience
Meng Xiangkai (孟祥凱)	Mr. Meng is currently a non-executive Director of the Company and an executive director and general manager of China Shipbuilding Capital Limited (中國船舶資本有限公司); an executive director and general manager of China Shipbuilding New Energy Investment Co., Ltd.(中船重工新能源投資有限公司); a director of China Shipbuilding Ocean Investment Limited (中國船舶海洋投資有限公司) and a director of China Shipbuilding Heavy Industry Southern Co., Ltd.(中國船舶重工南方有限公司). He formerly served as the secretary of the Party committee, vice chairman and president of Xi'an Aircraft Industry (Group) Company Ltd. (西安飛機工業(集團)有限公司), general manager and chairman of Xi'an Aircraft International Corporation (西安飛機國際航空製造股份有限公司) (currently known as AVIC Aircraft Co., Ltd., a company listed on the SZSE, stock code: 000768), general manager and chairman of China Aviation Industry General Aircraft Co., Ltd. (中國通用飛機有限責任公司), deputy chief economist of Aviation Industry Corporation of China (中國航空工業集團有限公司), chairman of AVIC Heavy Machinery Co., Ltd. (中航重機股份有限公司, a company listed on the SSE, stock code 600765), director and secretary of the Party committee of Gree Electric Appliances Inc. of Zhuhai (珠海格力電器股份有限公司, a company listed on the SZSE, stock code: 000651), secretary of the Party committee of Zhuhai Gree Group Co., Ltd. (珠海格力集團有限公司), and an independent director of Beijing UniStrong Science & Technology Co., Ltd. (北京合眾思壯科技股份有限公司, a company listed on the SZSE, stock code: 002383) and an independent director of Weihai Guangtai Airport Equipment Co., Ltd (威海廣泰空港設備股份有限公司, a company listed on the SZSE, stock code: 002111).
Xu Jingchang (徐經長)	Mr. Xu is currently an independent non-executive Director of the Company. He serves as a professor and doctoral tutor of the accounting department of the School of Business of Renmin University of China. Mr. Xu is an independent director of CITIC Heavy Industries Co., Ltd. (中信重工機械股份有限公司, a company listed on the SSE, stock code: 601608), an independent director of Sinochem International Corporation (中化國際(控股)股份有限公司, a company listed on the SSE, stock code: 600500), an independent director of Hainan Airlines Holding Company Limited (海南航空控股股份有限公司, a company listed on the SSE, stock code: 600221), and an independent director of Essence Securities Co., Ltd.. Mr. Xu is also an executive member of the council of the Banking Accounting Society of China and a member of the council of the Accounting Society of China. Mr. Xu previously served as deputy dean and dean of the accounting department of the School of Business of Renmin University of China.
Xiong Yan (熊焰)	Mr. Xiong is currently an independent non-executive Director of the Company. He serves in various positions including chairman of Beijing Guofu Capital Co., Ltd. (北京國富資本有限公司), chairman of Shenzhen Huayuguofu Equity Investment Fund Management Co., Ltd. (深圳市華禹國富股權投資基金管理有限公司), chairman of Xi'an Silk Road Financial Asset Trading Center Co., Ltd. (西安絲路金融資產交易中心有限公司), chairman of Zhongguancun HIT Advanced Technology Institute (Beijing) Co., Ltd. (中關村哈工大先進技術研究院(北京)有限公司), director of Shanghai Insurance Exchange Co., Ltd. (上海保險交易所股份有限公司), director of China Beijing International Minging Exchange Co., Ltd. (北京國際礦業權交易所有限公司), director of Maxwealth Financial Leasing Co., Ltd. (永贏金融租賃有限公司), director of Beijing Watertek Information Technology Co., Ltd., (北京旋極信息技術股份有限公司, a company listed on the SZSE, stock code: 300324), director of Zhongtai Trust Co., Ltd. (中泰信託有限責任公司), vice chairman of the 3rd council of China Mergers and Acquisitions Association. He previously served as a director, president and chairman of Beijing Property Rights Exchange Co., Ltd., chairman of Beijing Environment Exchange, chairman of China Technology Exchange, chairman and president of Beijing Financial Assets Exchange. He was also an independent director of Cachet Pharmaceutical Co., Ltd. (嘉事堂藥業股份有限公司, a company listed on the SZSE, stock code: 002462).

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

Name	Main Working Experience
Li Zheping (李哲平)	Mr. Li is currently an independent non-executive Director of the Company. He serves as an editor-in-chief of the magazine "Modern Bankers" and independent director of UBS SDIC Fund Management Co., Ltd. (國投瑞銀基金管理有限公司), AVIC Securities Co., Ltd. (中航證券有限責任公司) and Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司). Mr. Li previously served as an editor-in-chief of the theory edition of the "China Securities Journal" and chairman of Tongxin Assets Appraisal Co., Ltd. (統信資產評估有限公司). He was also an independent director of China CITIC Bank Corporation Limited (中信銀行股份有限公司, a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 601998, Hong Kong Stock Exchange stock code: 998).
Au Sing Kun (區勝勤)	Mr. Au is currently an independent non-executive Director of the Company and a director of Nice International Investments Limited (立其國際投資顧問有限公司). He held various positions with Hongkong and Shanghai Banking Corporation Limited ("HSBC"), including serving as regional manager, manager of the credit department and branch president of HSBC (Hong Kong), chief operating officer of HSBC (China), branch president of HSBC Shenzhen Branch, and chief executive officer of HSBC (Macau). He also was the chairman of the Association of Shenzhen Foreign Financial Institutions, vice chairman of the Macau Association of Banks and an independent director of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司, a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 600548, Hong Kong Stock Exchange stock code: 548).
Wang Yong (王勇)	Mr. Wang is currently an independent non-executive Director of the Company, the assistant to the dean of the School of Economics and Management, Tsinghua University. He is also the office director of the Business Scholars Program, director of the Cooperative Development Office and director of the Executive Committee of the China Enterprise Development and M&A Research Center. He is also an independent non-executive director of Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司, a company listed on the Hong Kong stock exchange, stock code: 1526). He served as the project director of the Institute of Mechanical and Electrical, the deputy manager of the Mechanical and Electrical Equipment Plant, the manager of Water and Power Equipment Model Plant of China Institute of Water Resources and Hydropower Research (中國水電科學院), the deputy general manager of SRIT NETech Co., Ltd. (國研網絡數據科技有限公司), an independent director of Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) (a company listed on SZSE, stock code: 002121) and Shenzhen Ocean's King Lighting Science & Technology Co., Ltd. (深圳市海洋王照明科技股份有限公司, a company listed on SZSE, stock code: 002724).

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

Name	Main Working Experience
Liu Jiping (劉濟平)	Mr. Liu is currently a chief Supervisor of the Company. From September 2002 to June 2005, he served as a Director of the Company. Mr. Liu previously served as a director, deputy head and head of the audit department of the Everbright Group, chief supervisor of Shanghai Everbright Convention & Exhibition Center Co., Ltd. (上海光大會展中心有限公司), a supervisor of Everbright Investment and Management Limited (中國光大投資管理有限公司), and a director of Everbright Financial Holding Asset Management Co., Ltd. (光大金控資產管理有限公司). Mr. Liu was also a deputy director and a director of the investment and audit division of the State Auditing Administration.
Zhang Jingcai (張敬才)	Mr. Zhang is currently a Supervisor of the Company and director of the board office of Everbright Group. Mr. Zhang is a non-practicing member of the Chinese Institute of Certified Public Accountants. He held various positions in Everbright Bank (a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 601818, Hong Kong Stock Exchange stock code: 6818), including manager and assistant to general manager of credit department of the head office, general manager of credit management department of the head sales office, deputy general manager and general manager of corporate banking department of the head office, vice president of Dalian Branch, director of the Northern regional credit approval center, and general manager of credit approval department of the head office.
Wang Hongyang (汪紅陽)	Mr. Wang is currently a Supervisor of the Company, deputy chief financial officer of Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00165), and vice chairman of Everbright Prestige Capital Asset Management Co., Ltd. (首譽光控資產管理有限公司). Mr. Wang is a non-practicing member of the Chinese Institute of Certified Public Accountants. He was an auditor, assistant manager, manager, senior manager and partner of KPMG Huazhen LLP (Special General Partnership).
Zhu Wuxiang (朱武祥)	Mr. Zhu is currently an external Supervisor of the Company. He also serves as a professor and doctoral tutor of the Department of Finance of the School of Economics and Management of Tsinghua University. He is an independent non-executive director of Beijing Properties (Holdings) Limited (北京建設(控股)有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 0925), an independent director of China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司, a company listed on the SSE, stock code: 600340), an independent director of AVIC Trust Co., Ltd. (中航信託股份有限公司), an independent director of ZTE Corporation (中興通訊股份有限公司, a company listed on the SZSE and Hong Kong Stock Exchange, SZSE stock code: 000063, Hong Kong Stock Exchange stock code: 763), and an independent director of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 01359), as well as a supervisor of Unisplendour Corporation Limited (紫光股份有限公司, a company listed on the SZSE, stock code: 000938). He was the chairman of supervisor committee of Unisplendour Corporation Limited (a company listed on the SZSE, stock code: 000938), an independent director of Dongxing Securities Co., Ltd. (東興證券股份有限公司, a company listed on the SSE, stock code: 601198), an independent director of Rongxin Power Electronic Co., Ltd. (榮信電力電子股份有限公司, a company listed on the SZSE, stock code: 002123), and an independent director of Offshore Oil Engineering Co., Ltd. (海洋石油工程股份有限公司, a company listed on the SSE, stock code: 600583).

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

Name	Main Working Experience
Sun Wenqiu (孫文秋)	Mr. Sun is currently an external Supervisor of the Company. He also serves as the vice chairman of the board and president of Zhejiang Hugeleaf Co., Ltd. (浙江瀚葉股份有限公司), a company whose shares are listed on the SSE (stock code: 600226), a director of Caitong Fund Management Co., Ltd. (財通基金管理有限公司), a director of Qingdao Yibang Bioengineering Limited (青島易邦生物工程有限公司), chairman of Horgos Biok Pictures Limited (霍爾果斯拜克影視有限公司), chairman of Zhejiang Hugeleaf Investment Management Limited (浙江瀚葉投資管理有限公司), chairman of Hugeleaf Entertainment (Shanghai) Technology Limited (瀚葉互娛(上海)科技有限公司), chairman of Shanghai Hanxin Culture & Media Co., Ltd. (上海瀚昕文化傳媒有限公司), chairman of Shanghai Hugeleaf Sports Development Co., Ltd. (上海瀚葉體育發展有限公司), a director of Shanghai Duoli Financial Information Service Limited (上海多栗金融信息服務有限公司) and an independent director of Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司). He formerly served as a director, chief accountant and vice president of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司), and the vice president and secretary of the board of directors of Shanghai Oriental Pearl New Media Co., Ltd. (上海東方明珠新媒體股份有限公司), a company whose shares are listed on the SSE stock code: 600637), an independent director of Shanghai Xinnong Feed Co., Ltd. (上海新農飼料股份有限公司) and an independent director of Shanghai Wave Cyber Environmental Protection Technology Co., Ltd. (上海唯賽勃環保科技股份有限公司).
Wang Wenyi (王文藝)	Ms. Wang is currently an employee Supervisor of the Company. She was the general manager of the brokerage branch of the Company in Urumqi, general manager of the brokerage branch of the Company in Yuetan North Street in Beijing, the general manager of the Beijing branch of the Company and the vice chairman of the labor union of the Company.
Huang Qin (黃琴)	Ms. Huang is currently an employee Supervisor of the Company and the general manager of the Company's internal audit department. She previously served as assistant to the general manager and deputy general manager of the Company's audit department, general manager of management and internal control department.
Li Xianzhi (李顯志)	Mr. Li is currently an employee Supervisor of the Company. He served in Xiangcai Securities Company (currently known as Xiangcai Securities Co., Ltd.) as deputy general manager and general manager of Information Technology Department, general manager of Corporate Information Technology Department, director of innovation office and general manager of the audit department of the Company.

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

Name	Main Working Experience
Xiong Guobing (熊國兵)	Mr. Xiong is currently a senior expert of the Company. Mr. Xiong has served in various positions, including general manager of the Company's audit department, general manager of the Company's risk management department, secretary of the commission for discipline inspection and vice president.
Wang Cuiting (王翠婷)	Ms. Wang currently served as chairman of the labor union and a senior expert of the Company. She previously served in various positions, such as secretary to the Board, director of the Board office, general manager of the Company's human resources department and vice president.
Wang Zhong (王忠)	Mr. Wang is currently a vice president of the Company. He served as an assistant to general manager of the Company's bonds division, deputy general manager of the Company's fixed income division (in charge of operations). Mr. Wang served as assistant president and vice president of Everbright Financial Holding Asset Management Co., Ltd. (光大金控資產管理有限公司). He previously worked as a business director of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司, a company listed on the SSE, and the Hong Kong Stock Exchange, SSE stock code: 601211, Hong Kong Stock Exchange stock code: 2611) and the head of investment manager division of securities investment department in Haitong Securities Co., Ltd., a company listed on the SSE with the stock code of 600837 and the Hong Kong Stock Exchange with the stock code of 6837..
Mei Jian (梅鍵)	Mr. Mei is currently a vice president of the Company. He previously held various positions, including director of the office of the Board, director of the Company's general office, general manager of brokerage business division, secretary to the Board and assistant president.
Zhu Qin (朱勤)	Ms. Zhu is currently the vice president, chief compliance officer, chief risk officer, the secretary to the Board, and securities affairs representative. She previously worked as a project manager, senior manager and executive director of the fourth division of the Company's investment banking division, assistant to the director, deputy director and director of the Board office.

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

Name	Main Working Experience
Li Bingtao (李炳濤)	Mr. Li is currently a business line director of the Company. He previously served as a professional adviser of the planning and development committee and vice minister level officer of the institutional supervision department of the CSRC, senior manager of the general office of Everbright Group, director of the Company's general office, and an employee supervisor of the Company.
Dong Jie (董捷)	Ms. Dong is currently a business line director of the Company. She previously worked as a senior manager of budget finance department of Dalian branch of Bank of Communications Co., Ltd. (交通銀行股份有限公司), assistant to the president and vice president of Dalian branch of Everbright Bank.

3. *Changes in shareholding of Directors, Supervisors and senior management*

During the Reporting Period, none of the Directors, Supervisors and senior management of the Company directly held shares, stock options and restricted shares of the Company.

4. *Equity incentives granted to Directors, Supervisors and senior management during the Reporting Period*

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

II. Employment of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

(I) Positions held in the shareholding companies

Name of employee	Name of shareholding companies	Positions held in the shareholding companies	Start of the term of office	Expiration of the term of office
Song Bingfang	China Everbright Group Ltd.	Senior expert in the board office	August 2018	-
Yin Lianchen	China Everbright Limited	Chief investment officer and member of management decision committee	April 2012	-
Yin Lianchen	China Everbright Limited	Executive director, member of executive committee and strategy committee	June 2017	-
Chan Ming Kin	China Everbright Limited	General legal counsel and company secretary, member of investment decision committee	December 2007	-
Meng Xiangkai	China Shipbuilding Vantage Capitals Ltd (中國船舶資本有限公司)	Executive director, general manager	November 2016	-
Zhang Jingcai	China Everbright Group Ltd.	Director of the board office	May 2018	-
Wang Hongyang	China Everbright Limited	Deputy chief financial officer	October 2016	-

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

(II) Positions held in other companies

Name of employee	Name of other companies	Positions held in other companies	Start of the term of office	Expiration of the term of office
Yin Lianchen	China Everbright Bank Company Limited	Supervisor	December 2014	-
Xue Keqing	China State Construction Engineering Corporation Limited	Secretary of the board of directors	June 2018	-
Meng Xiangkai	China Shipbuilding New Energy Investment Co., Ltd.	Executive director, general manager	August 2017	-
Meng Xiangkai	China Shipbuilding Ocean Investment Limited	Director	October 2017	-
Meng Xiangkai	China Shipbuilding Heavy Industry Southern Co., Ltd.	Director	October 2018	-
Xu Jingchang	CITIC Heavy Industries Co., Ltd.	Independent director	August 2017	-
Xu Jingchang	Sinochem International Corporation	Independent director	May 2014	-
Xu Jingchang	Hainan Airlines Holding Co., Ltd.	Independent director	November 2016	-
Xiong Yan	Beijing Guofu Capital Co., Ltd.	Chairman	April 2015	-
Xiong Yan	Shenzhen Huayuguofu Equity Investment Fund Management Co., Ltd. (深圳市華禹國富股權投資基金管理有限公司)	Chairman	August 2017	-
Xiong Yan	Beijing Guofujinkong Technology Co., Ltd. (北京國富金控科技有限公司)	Executive Director	August 2017	-
Xiong Yan	Beijing Guofuxinyi Investment Management Co., Ltd. (北京國富鑫一投資管理有限公司)	Executive Director	June 2015	-
Xiong Yan	Beijing Guofu Carbon Investment Management Co., Ltd. (北京國富碳投資管理有限公司)	Executive Director	January 2016	-
Xiong Yan	Beijing Deshenjie Investment Consultation Co., Ltd. (北京德申杰投資諮詢有限公司)	Executive Director	October 2014	-
Xiong Yan	Beijing Yundeng Financial Services Technology Co., Ltd. (北京雲登金服科技有限公司)	Chairman	March 2015	-
Xiong Yan	Xi'an Silk Road Financial Asset Trading Center Co., Ltd. (西安絲路金融資產交易中心有限公司)	Chairman	January 2017	-
Xiong Yan	Zhongguancun HIT Advanced Technology Institute (Beijing) Co., Ltd. (中關村哈工大先進技術研究院(北京)有限公司)	Chairman	August 2018	-
Xiong Yan	Shanghai Guofu Corporate Development Co., Ltd. (上海國富企業發展有限責任公司)	Executive Director	July 2015	-
Xiong Yan	Qingdao Guoshuang Equity Investment Management Co., Ltd. (青島國雙股權投資管理有限公司)	Chairman	January 2017	-

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

Name of employee	Name of other companies	Positions held in other companies	Start of the term of office	Expiration of the term of office
Xiong Yan	Qingdao Guofu Financial Assets Trading Center Co., Ltd. (青島國富金融資產交易中心有限公司)	Chairman	October 2015	-
Xiong Yan	Shanghai Insurance Exchange Co., Ltd.	Director	May 2016	-
Xiong Yan	China Beijing International Minging Exchange Co., Ltd. (北京國際礦業權交易所有限公司)	Director	July 2019	-
Xiong Yan	Maxwealth Financial Leasing Co., Ltd. (永贏金融租賃有限公司)	Director	June 2015	-
Xiong Yan	Beijing Watertek Information Technology Co., Ltd.	Director	October 2010	-
Xiong Yan	Zhongtai Trust Co., Ltd. (中泰信託有限責任公司)	Director	July 2015	-
Li Zheping	UBS SDIC Fund Management Co., Ltd	Independent director	August 2008	-
Li Zheping	AVIC Securities Co., Ltd.	Independent director	October 2009	-
Li Zheping	Guangdong Nanyue Bank Co., Ltd.	Independent director	July 2014	-
Au Sing Kun	Nice International Investments Limited	Director	December 2009	-
Wang Yong	Rici Healthcare Holdings Limited	Independent director	June 2016	-
Wang Hongyang	Everbright Prestige Capital Asset Management Co., Ltd	Vice chairman	November 2016	-
Zhu Wuxiang	Beijing Properties (Holdings) Limited	Independent non-executive director	January 2011	-
Zhu Wuxiang	China Fortune Land Development Co., Ltd.	Independent director	December 2013	-
Zhu Wuxiang	AVIC Trust Co., Ltd.	Independent director	August 2014	-
Zhu Wuxiang	ZTE Corporation	Independent non-executive director	March 2016	-
Zhu Wuxiang	China Cinda Asset Management Co., Ltd.	Independent non-executive director	October 2016	-
Zhu Wuxiang	Unisplendour Corporation Limited	Supervisor	May 2002	-
Sun Wenqiu	Zhejiang Hugeleaf Co., Ltd.	Vice chairman, president	March 2017	-
Sun Wenqiu	Caitong Fund Management Co., Ltd.	Director	June 2017	-
Sun Wenqiu	Qingdao Yibang Bioengineering Limited	Director	September 2017	-
Sun Wenqiu	Horgos Biok Pictures Limited	Chairman	August 2017	-
Sun Wenqiu	Zhejiang Hugeleaf Investment Management Limited	Chairman	November 2017	-
Sun Wenqiu	Hugeleaf Entertainment (Shanghai) Technology Limited	Chairman	November 2017	-
Sun Wenqiu	Shanghai Hanxin Culture & Media Co., Ltd.	Chairman	December 2017	-
Sun Wenqiu	Shanghai Hugeleaf Sports Development Co., Ltd.	Chairman	April 2018	-
Sun Wenqiu	Shanghai Duoli Financial Information Service Limited	Director	March 2018	-
Sun Wenqiu	Shanghai Bright Power Semiconductor Co., Ltd.	Independent director	February 2017	-

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

III. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures of remuneration of the Directors, Supervisors and senior management	The remuneration of the Company's independent non-executive Directors and external Supervisors shall be decided by the general meeting. Pursuant to relevant resolutions of the Board, the criteria of bonus based on annual performance of the senior management of the Company shall be considered and approved by the Remuneration, Nomination and Credentials Committee. According to the relevant requirements of the Rules for Governance of Securities Companies, payment of more than 40% of annual performance-based remuneration for the senior management of the securities companies shall be deferred for a period of at least three years.
The basis for determining the remuneration of the Directors, Supervisors and senior management	Remuneration of the independent non-executive Directors and external Supervisors of the Company is determined with reference to that of similar listed companies in the same industry and based on actual situation of the Company. Remuneration of executive Directors, Supervisors holding a position in the Company and senior management is determined in accordance with the remuneration system of the Company and is also linked to position and performance.
Actual payment of remuneration of the Directors, Supervisors and senior management	Details of the remuneration of the Directors, Supervisors and senior management of the Company are set out in "I. Changes in Shareholding and Remuneration – (I) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period" in Section VII "Particulars about Directors, Supervisors, Senior Management and Employee" of this report. According to the relevant requirements of the Rules for Governance of Securities Companies 《證券公司治理準則》, payment of more than 40% of annual performance-based remuneration for the senior management of the securities companies shall be deferred for a period of at least three years. Pursuant to the above requirement, as approved by the Remuneration, Nomination and Credentials Committee of the Board of the Company, the following personnel have received part of the 2018 annual bonus and deferred remuneration of previous years: Liu Jiping (劉濟平): RMB767,500; Wang wenyi (王文藝): RMB704,600; Huang Qin (黃琴): RMB1,217,400; Li Xianzhi (李顯志): RMB666,300; Xiong Guobing (熊國兵): RMB 673,800; Wang Cuiting (王翠婷): RMB 655,300; Wang Zhong (王忠): RMB 555,300; Mei Jian (梅鍵): RMB 631,300; Zhu Qin (朱勤): RMB 387,400; Dong Jie (董捷): RMB355,800.
Total remuneration actually obtained by the Directors, Supervisors and senior management at the end of the Reporting Period	Details of the actual payment of remuneration of the Directors, Supervisors and senior management are set out in "I. Changes in Shareholding and Remuneration – (I) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period" in Section VII "Particulars about Directors, Supervisors, Senior Management and Employee" of this report, which amounted to RMB28.6256 million. As approved by the Remuneration, Nomination and Credentials Committee of the Board of the Company, part of the 2018 annual bonus and deferred remuneration of previous years received by the chairman, chairman of the Supervisory Committee, employee Supervisors and senior management of the Company in total amounted to RMB6.6147 million.

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

IV. Changes of Directors, Supervisors and Senior Management of the Company

Name	Position	Change	Reason for Change
Yan Jun	Chairman; Executive Director	Elected	At the 14th meeting of the fifth session of the Board of Directors of the Company held on April 29, 2019, the Company considered and approved the election of Mr. Yan Jun as the chairman (executive Director) of the fifth session of the Board of Directors of the Company. Upon approval from the regulatory authority, Mr. Yan Jun served as the chairman (executive director) of the Company from July 3, 2019, and ceased to be the Company's vice chairman.
Liu Qiuming	Executive Director; President	Elected	As considered and approved at the 19th meeting of the fifth session of the Board of Directors of the Company on January 16, 2020, Mr. Liu Qiuming was elected to be the president of the Company, and nominated to be a candidate of executive Director of the Company. As considered and approved at the 2020 first extraordinary general meeting of the Company on March 13, 2020, Mr. Liu Qiuming was elected as an executive Director of the Company. The appointment of Mr. Liu Qiuming as an executive Director and the president of the Company became effective from March 13, 2020.
Xue Feng	Chairman	Resigned	On April 28, 2019, the Board of Directors received the resignation letter of Mr. Xue Feng, the chairman of the Company. Mr. Xue Feng resigned from his positions as a chairman and an executive Director of the Company.
Ju Hao	Non-executive Director	Resigned	On December 27, 2019, the Board received a resignation letter from Mr. Ju Hao, a non-executive director of the Company. Mr. Ju Hao resigned from his positions as a non-executive Director of the Company and a member of the Risk Management Committee of the Board.

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

Name	Position	Change	Reason for Change
Zhou Jiannan	Executive President	Resigned	On October 7, 2019, the Board received a resignation letter from Mr. Zhou Jiannan, an executive president of the Company. Mr. Zhou Jiannan ceased to be executive president of the Company.
Chen Lan	Chief Compliance Officer	Resigned	The Board of the Company received a resignation letter from Ms. Chen Lan, chief compliance officer of the Company. Ms. Chen Lan ceased to be chief compliance officer of the Company since October 19, 2019.
Wang Yong	Chief Risk Officer	Resigned	On August 1, 2019, the Board of the Company received a resignation letter from Mr. Wang Yong, chief risk officer of the Company. Mr. Wang Yong ceased to be chief risk officer of the Company.
Pan Jianyun	Business Line Director	Resigned	On December 27, 2019, the Board of the Company received a resignation letter from Mr. Pan Jianyun, business line director of the Company. Mr. Pan Jianyun ceased to be business line director of the Company.

Notes:

As considered and approved at the 17th meeting of the fifth session of the Board convened by the Company on November 21, 2019, Mr. Xiong Guobing and Ms. Wang Cuiting ceased to serve as the vice presidents of the Company and were re-designated as senior experts of the Company due to the business needs.

As considered and approved at the 18th meeting of the fifth session of the Board convened by the Company on December 31, 2019, Ms. Zhu Qin, secretary to the Board of Directors, was appointed as the vice president, chief compliance officer and chief risk officer of the Company. Her appointments as vice president and chief risk officer took effect from the date of the approval of the Board. Later, the Company received the No Objection Letter on Comrade Zhu Qin Serving as the Chief Compliance Officer of Everbright Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2020] No. 51) 《關於對朱勤同志擔任光大證券股份有限公司合規負責人的無異議函》(滬證監機構字〔2020〕51號) issued by the Shanghai Securities Regulatory Bureau of CSRC, her appointment as chief compliance officer took effect from February 27, 2020.

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

V. Information about the Staff of the Parent Company and Major Subsidiaries

(I) Information about the staff

As of December 31, 2019, the Company had 9,031 employees (including brokers), of which parent company had 7,152 employees, wholly-owned and controlled subsidiaries had 1,879 employees.

The employee structure is as follows:

Number of staff employed by the parent company (persons)	7,152
Number of staff employed by the major subsidiaries (persons)	1,879
The total number of staff employed (persons)	9,031
Number of paid retired staff by the parent company and its subsidiaries (persons)	0

Profession	Number
Brokerage business personnel	6,213
Investment banking personnel	637
Research personnel	180
Assets management personnel	180
Investment business personnel	146
Information technology personnel	257
Financial personnel	158
Compliance/risk/Internal audit personnel	179
Other business and administration personnel	1,081
Total	9,031

Levels of education	Number
Doctoral degree and above	72
Master's degree	2,263
Bachelor's degree	4,823
Others	1,873
Total	9,031

(II) Remuneration policy

Based on the management of the company's rank-based system and in order to comprehensively strengthen the incentive and restraint mechanism, the Company has established a compensation and welfare system based on the four principles of legal compliance, marketization, differentiation and internal fairness. Employee income consists of wages, allowances, bonuses and benefits. Wage is based on the employee's MD rank, work experience and ability; allowance shall be determined in accordance with the company's strategic development, the degree of responsibility assumed in work and the market conditions; bonuses are closely linked with the performance of the Company and departments and performance and contribution of individuals; benefits include statutory benefits and supplementary benefits, in addition to statutory benefits, such as social insurance, housing provident fund and paid leave, the Company also offers its employees supplementary benefits, such as enterprise annuity, supplementary housing provident fund, supplementary insurance, medical examination, welfare annual leave and labor protection.

The differentiated compensation model of the Company better reflects the value and potential of employees, carries out a comprehensive balance between the current value of employees and the future value of employees, follows the principle of employing according to ability, and achieves the goal of "making the best use of things and talents", avoids the waste of human resources, and is also conducive to employees to find their sense of belonging, and is even more conducive to employees to accurately position themselves.

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

According to the Company's strategic changes, performance development, industry development and other factors, the Company adjusts the compensation system timely, achieves dynamic management, further realizes the management concept of "distribution according to work, value orientation, resource orientation", establishes a scientific and reasonable compensation mechanism, and maximizes the retention of core talents. A sound compensation structure also has an immeasurable impact on the company's long-term development and market competitiveness enhancement.

In addition, the company has rigorously managed risks, emphasized the combination of incentives and constraints, established and insisted on the deferred payment mechanism of risk fund and bonuses to achieve stable development.

(III) Training plan

In 2019, the Company, according to the requirement of deepening 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, organized all kinds of trainings to enrich and optimize the hierarchical education training system. Specialized trainings were tailor-made for focus groups, and topic training programs were set up for the middle-level cadres, general managers of business department, the new team leaders and new staffs; strengthened the construction of first-tier teams, focused on supporting grassroots training, and enhanced regional training capacity; developed internal learning resources, established lecturers' team, formulated lecturers' management measures, curriculum evaluation and lecturers' evaluation and certification rules, and organized internal lecturers' certification work; diversified the training forms by adopting the training form combining online and offline study, and use video, audio and text for synchronous learning for the first time, further improved the efficiency of employee training, expanded the learning channels for employees, and established a learning organization.

(IV) Labor outsourcing

The average number of labor outsourcing	68 persons
The total amount of remuneration paid for labor outsourcing	RMB12.4496 million

VI. Customer Solicitation and Client Service by the Brokers Commissioned by the Company

In 2019, the Company strictly complied with the relevant provisions of Interim Provisions on the Administration of Securities Brokers 《證券經紀人管理暫行規定》 ([2009] No. 2), Verification Opinions On-site of Securities Brokers System 《證券經紀人制度現場核查意見書》 (Hu Zheng Jian Ji Gou Zi [2009] No. 302) and its internal system. The Company centralized management of securities brokers to further regulate the practice of securities brokers to safeguard the legitimate rights and interests of clients through improving rules and regulations, the internal control mechanism, the support system and internal training.

As of the end of the Reporting Period, the Company had 246 securities brokerage branches to carry out securities brokerage business, and 2,406 domestic securities brokers in China, 2,406 of which have registered with the Securities Association of China.

VII. Other Matters

- (1) None of the existing and resigned Directors, Supervisors and senior management during the Reporting Period had been subjected to any penalty by the securities regulatory authorities in the recent three years.

SECTION VIII CORPORATE GOVERNANCE

I. Description of Corporate Governance

(I) Corporate governance

As a public company listed in both mainland China and Hong Kong, the Company has established a sound corporate governance system in strict compliance with the laws and regulations including the Company Law, the Securities Law, the Regulations for Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules.

The Company has been continuing to improve its corporate governance structure towards independent functioning and checks and balances among general meeting, the Board, the Supervisory Committee and the management, so that each level plays its part within their respective scope of duties and authorizations to ensure standardized operation of the Company. The Company fully complied with all the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, and met the requirements of the vast majority of the recommended best practices set out in the Corporate Governance Code.

During the Reporting Period, the Company further revised and improved corporate codes including the Articles of Association, according to regulatory requirements and its business development needs, and convened 2 general meetings, 8 Board meetings, 6 meetings of the Supervisory Committee, 6 meetings of the Remuneration, Nomination and Credentials Committee, 1 meeting of Strategies and Development Committee, 5 meetings of the Audit Committee, and 2 meetings of the Risk Management Committee.

(II) Corporate governance policies and the Board's responsibilities on corporate governance

In order to meet the corporate governance and standardized operation requirements of A+H listed company, on August 1, 2016, the Board meeting approved and adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all Directors and Supervisors, and adopted Appendix 14 to the Hong Kong Listing Rules as its own corporate governance guideline. On August 18, 2016, the H Shares of the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange.

According to Rule 3.21 of Hong Kong Listing Rules (in respect of audit committee), Rule 3.25 (in respect of remuneration committee) and paragraph A.5.1 of appendix 14 of Hong Kong Listing Rules (in respect of nomination committee), independent non-executive directors shall account for a larger portion of members of Remuneration, Nomination and Credentials Committee and Audit Committee of the Board of the Company. The Board accordingly adjusted the composition of the special committee of the Board at the 13th meeting of the fifth session of the Board held on March 27, 2019. At present, independent non-executive directors who served in the Remuneration, Nomination and Credentials Committee and Audit Committee of the Board account for more than a half of the members. Currently, the composition of the special committee of the Board has conformed with the above requirements under Hong Kong Listing Rules and Corporate Governance Code.

Except as specifically disclosed above, the Company has fully complied with the applicable provisions in the Corporate Governance Code during the Reporting Period, and met most of the recommended best practice in the Corporate Governance Code.

SECTION VIII CORPORATE GOVERNANCE

In respect of the corporate governance, the responsibilities of the Board shall include the followings:

- (I) to formulate and review the corporate governance policies and practice of the Company;
- (II) to review and monitor the training and continuous professional development of the Directors and the senior management;
- (III) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (IV) to formulate, review and monitor the code of conduct and compliance manual applicable to employees and Directors (if any); and
- (V) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Before the publication of this report, the Board reviewed the Corporate Governance section of this report, i.e., Corporate Governance Report, and was of the view that it is in compliance with the relevant requirements of the Hong Kong Listing Rules.

II. General Meeting

(I) Shareholders and the general meeting

The general meeting is the authoritative organization of the Company, and all shareholders shall exercise their functions and powers through such meeting. The Articles of Association and Rules of Procedures of the General Meeting of the Company stipulate the rights and obligations of shareholders, the functions and power of general meeting, the convening of general meetings, the procedure of voting and the proposal of resolutions and other matters, thereby ensuring the normal and effective operating of general meeting, and safeguarding the interests of the shareholders, especially minority shareholders of the Company.

According to Article 79 of the Articles of Association, the shareholder(s) severally or jointly holding 10% or more shares in the Company shall have the right to request the Board of Directors to convene an extraordinary general meeting and shall submit such request to the Board of Directors in writing. The Board shall, in accordance with provisions of the law, administrative regulations and the Articles of Association, inform in writing to indicate whether the Board of Directors has agreed or disagreed to convene such extraordinary shareholders' meeting within 10 days upon receipt of the request. If the Board of Directors has agreed to hold such extraordinary shareholders' meeting, it shall serve a notice of the general meeting within five days after the Board of Directors has passed the board relevant resolution. The relevant shareholders' consent shall be sought in respect of any changes to the original proposal contained in such notice. If the Board of Directors does not agree to hold such extraordinary general meeting or fails to give any reply within 10 days upon receipt of such request, the shareholder(s) severally or jointly holding 10% or more shares in the Company shall have the right to propose to the Supervisory Committee to hold such extraordinary general meeting and shall propose to the Supervisory Committee in writing. If the Supervisory Committee agrees to hold such extraordinary general meeting, it shall serve a notice of such general meeting within five days upon receipt of such request. The relevant shareholders' consent shall be sought in respect of any changes to the original proposal contained in such notice. If the Supervisory Committee fails to give such notice of the general meeting within the period of time set forth above, it shall be deemed not to convene and preside over such general meeting. The shareholder(s) severally or jointly holding 10% or more shares in the Company for more than consecutive 90 days may proceed to convene and preside over such general meeting by itself.

SECTION VIII CORPORATE GOVERNANCE

In addition, according to Article 84 of the Articles of Association, when a general meeting of the Company is held, the Board of Directors, the Supervisory Committee and the shareholder(s) severally or jointly holding 3% or more shares in the Company shall have the right to make proposals regarding the matters to be resolved to the Company. The shareholder(s) severally or jointly holding 3% or more shares in the Company shall submit any temporary written proposals regarding the matters to be resolved to the convener 10 days before a general meeting is held. The convener shall give a supplementary notice of the general meeting and publicly announce the content of such temporary proposals within two days upon receipt of such proposal. Otherwise, the convener shall not change the proposals set out in the notice of general meeting or add any new proposals after the said notice announcement is served.

(II) General meetings during the Reporting Period

Meeting	Date of meeting	Enquiry index of the websites designated for publication of the resolutions
2018 annual general meeting	May 28, 2019	For shareholders' resolutions during the Reporting Period, please refer to the announcements published on the following websites: http://www.sse.com.cn http://www.hkexnews.hk
The first extraordinary general meeting in 2019	December 16, 2019	

Description of General Meetings

- On May 28, 2019, the Company held the 2018 annual general meeting at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The meeting considered and approved the 2018 Report of the Board of Directors, the 2018 Report of the Supervisory Committee, the 2018 Annual Report and its summary, the 2018 Profit Distribution Plan, the Proposal of Expected Ordinary Related Party/Connected Transactions in 2019 and the Proposal of Proprietary Trading Businesses Scale in 2019.
- On December 16, 2019, the Company held the first extraordinary general meeting in 2019 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The meeting considered and approved the Resolution in relation to the proposal of the engagement of external auditors for the year 2019.

As a responsible listed company, the Company effectively protects the rights and interests of minority shareholders, ensures their full right of information and the fairness of information disclosure, and continues to take a series of concrete actions to further enhance the quality and strength of communication with investors. The Company has formulated the Measures of Managing Information Disclosure of Everbright Securities 《光大證券信息披露事務管理制度》, Everbright Securities Insider Registration Management Rules 《光大證券內幕信息知情人登記管理規定》 and other rules and regulations. The Company has appointed the secretary to the Board of Directors and the company secretary to be responsible for information disclosure. The company secretary, the securities affairs representative and the office of the Board are appointed to assist in the disclosure of information and the handling of investor relations. The Company interacts with investors mainly through telephone, e-mail, the investor relations interactive platform on the Company's website, reception of visitors, participation in investor meetings, overseas road shows and other forms. Shareholders may submit inquiries and express their opinions to the Board in writing through the company secretary and the office of the Board. Where appropriate, the inquiries and opinions of shareholders will be forwarded to the Board and/or the relevant special committees under the Board of the Company, and ensure that the Company's shareholders, especially minority shareholders, are able to fully exercise their rights.

SECTION VIII CORPORATE GOVERNANCE

III. Board of Directors and the Management

(I) Board of Directors

The Articles of Association and the Rules of Procedure of the Board of Directors of the Company have stipulated the qualification and obligations of the Directors, the terms of reference of the Board of Directors, the convening, voting and resolution of the Board of Directors, to ensure the standardized and efficient operation of Board of Directors.

1. *Composition of the Board*

The Company shall appoint and change Directors in accordance with relevant regulations and Articles of Association. The Board of Directors has exercised its functions and powers according to law. The composition, convening, voting and resolutions of the Board are in compliance with the relevant laws and regulations stipulated in Company Law, Articles of Association and the Hong Kong Listing Rules.

According to Article 117 of the Articles of Association, except for the first session of the Board of Directors of the Company, the candidates for the directors of any successive Board of Directors shall be nominated by the shareholders holding more than 3% (inclusive) of the shares or by three directors of the previous session of the Board of Directors of the Company. The previous session of the Board of Directors shall be responsible to prepare and submit a proposal to the general meeting for voting. Any shareholder holding more than 1% (inclusive) of the shares may nominate any candidates for independent directors. Regarding the specific procedure of nominating candidates for Directors by the shareholders, the Company has formulated the Procedures for Shareholders to Propose a Person for Election as Director, which has been published on the website of the Company.

The members of the Board shall be elected or changed by the general meeting for a term of three years from the date on which their appointments are approved by the general meeting and their qualifications of being directors of securities companies are filed with the CSRC. Directors are eligible for re-election upon the expiration of their terms. The term of independent non-executive Directors is the same as other Directors of the Company and eligible for re-election upon the expiration of their terms. However, the successive terms of independent non-executive Directors may not be more than two terms. An ordinary resolution with respect to any Director elected at a general meeting shall be valid only when such matters are passed by one half or above of the voting rights held by the shareholders (including their proxies) attending the general meeting.

The Company seeks appropriate candidates for Directors through a variety of channels in the Company and the human resource market. The criteria of candidates to be considered include but not limited to gender, age, educational background or professional experience, skills, knowledge and service tenure, and the ability to take responsibility for the affairs of the Company. After reviewing and passing the resolution to determine the candidate, the Board of Directors shall submit to the general meeting by a written proposal. Since the listing of the Company's H Shares, the Board has always complied with the requirements of the Hong Kong Listing Rules with respect to the appointment of at least three independent non-executive Directors and the number of independent non-executive Directors appointed must comprise of at least one third on the Board. The qualification of all current independent non-executive Directors of the Company complies with the requirements of Rules 3.10 (1) and (2) and 3.10(A) of the Hong Kong Listing Rules. Apart from that, the Company has received the annual written confirmation from each independent non-executive Director with regard to his independence in accordance with relevant requirements under Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company confirms that each independent non-executive Director meets the independence requirements set out by the Hong Kong Listing Rules.

SECTION VIII CORPORATE GOVERNANCE

2. *Duties and responsibilities of the Board of Directors*

The Board of Directors is the decision-making organ of the Company and is accountable to the general meeting and exercise its powers and duties in accordance with the laws and regulations, Articles of Association and the securities listing rules and requirements of the stock exchange on which shares of the Company are listed. The Board of Directors is mainly responsible for formulation of the Company's strategy, development of corporate governance practices, implementation of risk management and internal control, and corporate finance decision making.

According to Articles of Association, the Board of Directors shall exercise the following major powers and duties: to convene a general meeting and report to such meeting; to implement the resolutions of a general meeting; to decide the operation plan and investment scheme of the Company; to prepare the draft annual budget and final accounts of the Company; to prepare the profit distribution plan and the plan for provisions for losses of the Company; to prepare the plan for the Company to increase or reduce its registered capital, issuance of bonds and other securities and other listing plans; to prepare plans of the Company with respect to material acquisitions, acquisition of the Company's shares, mergers, divisions, dissolution or changes of the form of the Company; to decide the Company's external investments, purchases and sales of assets, pledge of assets, external guarantees, trust management or to manage related parties transactions within the scope of authorization by a general meeting; to decide the establishment of the internal management organizations of the Company; to appoint or remove the president or the secretary to the Board of Directors or the chief compliance officer nominated by the Chairman of the Board of Directors; to appoint or remove the vice president, assistant president, chief financial officer, chief risk officer and other officers nominated by the president and decide the remunerations and rewards and punishments thereof; to establish a basic management system of the Company; to prepare plans to amend the Articles of Association; to manage the matters related to the information disclosed by the Company; to make suggestions to a general meeting regarding the engagement or replacement of the accounting firm as the auditor of the Company; to receive the work report of the president of the Company and examine the work of the president; to be responsible to urge, examine and evaluate the establishment and implementation of various internal control systems of the Company and to undertake responsibility for the validity of such internal control systems; to be responsible to urge, examine and evaluate the establishment and implementation of various internal control systems of the Company and to undertake final responsibility for the validity of such internal control systems; to be responsible to determine the compliance management objectives of the Company, consider and adopt the basic compliance management rules of the Company and the annual compliance report of the Company, decide the dismissal of any senior management member who assume the primary and leadership responsibility for the occurrence of major compliance risks, establish the mechanism for direct communication with the person in charge of compliance, evaluate the effectiveness of compliance management, and supervise the resolution of problems in relation to compliance management; to undertake ultimate responsibility for comprehensive risk management; to be responsible for deciding the repurchase of the Company's shares for any reasons provided for in Item (iii), Item (v) and Item (vi) of Article 27 of the Articles of Association; other powers and duties conferred by the law, administrative regulations, department regulations and the Articles of Association.

The Company purchases liability insurance for the Directors, Supervisors and senior management, to protect them against liabilities that may arise from performing their duties and to encourage them to earnestly fulfill their duties and responsibilities.

During the Reporting Period, the primary measures adopted by the Board of Directors in respect of corporate governance included amendments to the Articles of Association according to new requirements of the relevant regulatory provisions.

SECTION VIII CORPORATE GOVERNANCE

3. *Duties and responsibilities of the management*

According to the Articles of Association, the president is accountable to the Board of Directors and exercises the following powers and duties: to manage the operation of the Company, organize and implement the decisions of the Board of Directors and report to the Board of Directors; to organize to implement the annual plan and investment plan of the Company; to prepare the plan for the establishment of internal organizations of the Company; to formulate the basic management system of the Company; to formulate specific regulations of the Company; to nominate the vice presidents, assistant presidents, chief financial officer, chief risk officer and other senior officers identified by CSRC to be appointed or removed by the Board of Directors; to decide on the appointment or removal of any management personnel other than those required to be appointed or removed by the Board of Directors; to formulate the salary, welfare, rewards and punishments of the employees of the Company and decide on the appointment and removal of such employees; to propose to the chairman of the Board of Directors to agree to convene any interim board meetings; to decide on the investment matters of the Company within the scope of authorization of the Board of Directors in accordance with the relevant regulations of the securities regulators. The Articles of Association stipulates that the Board of Directors of the Company could delegate its management and administrative authority to the management when necessary and provides clear guidance on the act of authorization. The senior management of the Company shall be appointed and dismissed by the Board of Directors. The office term for senior management shall be three years and eligible for re-appointment.

4. *Chairman and president*

According to the code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and president should be separate and should not be performed by the same individual. Mr. Yan Jun, the chairman of the Company, had concurrently been acting as the president of the Company from October 8, 2019 to March 12, 2020 due to the changes in internal staff of the Company. Mr. Yan Jun, as a key leading role in the Company, mainly participates in the strategic development, overall operation and management, and major decision-making of the Group, and the Board considers that the arrangement at that time would not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors, such arrangement would not impair the balance between power and responsibilities and the then arrangement could enable the Company to make and execute decisions in a prompt and effective manner. Since March 13, 2020, the chairman and president of the Company have been taken up by Mr. Yan Jun and Mr. Liu Qiuming, respectively.

Chairman of the Company leads the daily work of the Board, supervises the implementation of resolutions of the Board and ensures the efficient and orderly operation of the Board. President of the Company presides over the daily operation and management of the Company and organizes to implement the resolutions made by the Board, and reports to the Board. The responsibilities of chairman in managing the Board affairs and those of the president in managing the day-to-day business of the Company have been distinctively defined, which is in compliance with the relevant code provision of the Corporate Governance Code.

IV. Performance of Duties of Directors

The Board of Directors shall exercise its powers and duties in accordance with the provisions of the Articles of Association, and for the best interests of the Company and the shareholders. The Board of Directors shall report to the general meetings, implement the resolutions approved by the general meetings, and be accountable to the general meetings.

(I) **Attendance of Directors at board meetings and general meetings**

According to the provisions of the Articles of Association, the Board of Directors shall hold at least four meetings every year, which shall be convened by the chairman of the Board of Directors. A notice of regular meeting of the Board of Directors shall be served at least 14 days before such meeting, and shall state the date and venue of the meeting, the period of such meeting, the subject matters and agenda and the date of the notice.

SECTION VIII CORPORATE GOVERNANCE

A board meeting shall be held only when more than half of the Directors are present. Unless otherwise provided in the Articles of Association, any resolutions made at a board meeting shall be passed by more than half of all Directors. If a Director is related to an enterprise in a resolution to be passed at a board meeting, such Director shall not exercise his/her voting rights or on behalf of any other Directors in respect of such resolution. Such board meeting may be held when more than half of non-related Directors are present; any resolutions made at such board meeting shall be passed by more than half of non-related Directors. If the number of non-related Directors present at such Board meeting is less than three, such matters shall be submitted to a general meeting for consideration. The Board meeting shall be held onsite in principle. When necessary, the temporary meeting of the Board of Directors may be held by video conference, telephone and facsimile or by way of an on-site meeting or other ways at the same time. A Director may attend any board meetings in person, and also may appoint in writing other Directors to attend such meeting on his/her behalf.

During the Reporting Period, attendance of Directors at board meetings and general meetings is as follow:

Name of Director	Whether or not he/she is an independent non-executive Director	Number of board meetings requiring attendance during the year	Attendance at board meetings				Whether or not he/she failed to attend the meeting in person for two consecutive times	Attendance at general meetings
			Attendance in person	Attendance by teleconference	Attendance by proxy	Absence		
Yan Jun	No	8	8	1	0	0	No	2
Song Bingfang	No	8	8	3	0	0	No	0
Yin Lianchen	No	8	8	5	0	0	No	0
Chan Ming Kin	No	8	8	2	0	0	No	0
Xue Keqing	No	8	8	6	0	0	No	0
Meng Xiangkai	No	7	7	1	0	0	No	1
Xu Jingchang	Yes	8	8	4	0	0	No	0
Xiong Yan	Yes	8	8	3	0	0	No	1
Li Zheping	Yes	8	8	3	0	0	No	0
Au Sing Kun	Yes	8	8	1	0	0	No	0
Wang Yong	Yes	8	8	1	0	0	No	0

Note 1 : Mr. Xue Feng resigned on April 28, 2019. During the Reporting Period, Mr. Xue Feng was required to attend 3 Board meetings and authorised Mr. Yan Jun to vote on his behalf and he actually attended voting three times.

Note 2 : Mr. Ju Hao resigned on December 27, 2019. During the Reporting Period, Mr. Ju Hao was required to attend 7 Board meetings and actually attended 7 Board meetings.

Note 3 : Mr. Meng Xiangkai's qualification as a director came into effect from March 15, 2019. During the Reporting Period, Mr. Meng Xiangkai was required to attend 7 Board meetings and actually attended 7 Board meetings.

SECTION VIII CORPORATE GOVERNANCE

(II) Description of the board meetings during the Reporting Period:

Number of board meetings convened during the year	8
Of which: number of on-site meetings	0
Number of meetings held by teleconference	1
Number of meetings held both on-site and via teleconference	7

The details of Board of Directors' meetings during the Reporting Period are as follows:

1. The 11th meeting of the fifth session of the Board of Directors was held on January 25, 2019. The meeting considered and approved the Proposal on Election of Mr. Yan Jun as the Vice-chairman of the Fifth Session of the Board of Directors, the Proposal on Making Provision for Assets Impairment and the Proposal on the Establishment of an Investment Banking Business Department.

2. The 12th meeting of the fifth session of the Board of Directors was held on March 19, 2019. The meeting considered and approved the Proposal on Making Provision for Estimated Liabilities and Assets Impairment.

3. The 13th meeting of the fifth session of the Board of Directors was held on March 27, 2019. The meeting considered and approved the Proposal on the Company's 2018 Annual Report and its Summary, the Proposal on the Company's 2018 Report of the Board of Directors, the Proposal on the Company's 2018 Annual Social Responsibility Report/ESG, the Proposal on the Company's 2018 Annual Profit Distribution Plan, the Proposal on the Company's Bonus Provision Proportion for 2018, the Proposal on the 2018 Annual Internal Control Evaluation Report of the Company, the Proposal on the Company's 2018 Annual Risk Assessment Report, the Proposal on the Company's Risk Control Index Supervision Statements for 2018, the Proposal on Amending the Basic Risk Management System of the Company, the Proposal on Amending the Basic Internal Audit System of the Company, the Proposal on Money Laundering Risk Management System and Money Laundering Risk Management Strategy of the Company, the Proposal on the Adjustment of the Special Committee of the Board, the Proposal on the Mandate Granted to the Operating Managements by the Board of Directors in 2019, the Proposal on the Revisions to Accounting Policies of the Company, the Proposal on the Company's Risk Preference for 2019, the Proposal on the Company's Proprietary Trading Size for 2019, the Proposal on the Company's Expected Daily Related/Connected Transactions for 2019, the Proposal on Holding Annual General Meeting for 2018, and listened to the Report on the Operations of the Company for 2018, Independent Directors' Annual Work Report for 2018, the Report of Performance of the Audit Committee of the Board in 2018, the Report of Operating Plan and Financial Budget of the Company in 2019, the Report of the Implementation of Previous Resolutions of the Board of Directors for 2018, the Report on the Provision of Guarantee for Subsidiaries, and reviewed the Proposal on the Audit Report of Internal Control of the Company in 2018.

4. The 14th meeting of the fifth session of the Board of Directors was held on April 29, 2019. The meeting considered and approved the Proposal on Election of Mr. Yan Jun as the Chairman of the Fifth Session of the Board of Directors of the Company, the Proposal on First Quarterly Report of the Company for 2019, the Proposal on the Compliance Work Report of the Company in 2018, the Proposal on Leasing Jinqiao Data Center of Shanghai Stock Exchange to Build the Primary Data Center of the Company and the Proposal on the Engagement of External Audit Institutions in 2019, and listened to the Report on the Money Laundering Risk and Anti-money Laundering Work of the Company for 2018.

SECTION VIII CORPORATE GOVERNANCE

5. The 15th meeting of the fifth session of the Board of Directors was held on August 27, 2019. The meeting considered and approved the Proposal on Making Provision for Estimated Liabilities and Assets Impairment, the Proposal on the Company's 2019 Interim Report and its Summary and the Proposal on the Appointment of Authorized Representative of Hong Kong Stock Exchange and the Second Authorized Representative of e-Submission System of Hong Kong Stock Exchange, and listened to the Report on the Operations of the Company for the First Half of 2019, the Report on the Risk of the Company for the First Half of 2019, the Report of the Implementation of Previous Resolutions of the Board of Directors in 2019.
6. The 16th meeting of the fifth session of the Board of Directors was held on October 28, 2019. The meeting considered and approved the Proposal on Third Quarterly Report of the Company for 2019, the Proposal on the Adjustment Plans for Organizational Structure of the Company, the Proposal on the Formulation of Basic Information Technology Management System of Everbright Securities Company Limited, the Proposal on the Company's Available Special Funds for Poverty Alleviation for 2019 and the Proposal on Holding the First Extraordinary General Meeting of the Company in 2019, and listened to the Report on the Operations of the Company for the Third Quarter of 2019, the Report on the Dealing with Special Risks of the Company and the Report of the Implementation of Previous Resolutions of the Board of Directors for 2019.
7. The 17th meeting of the fifth session of the Board of Directors was held on November 21, 2019. The meeting considered and approved the Proposal on the Medium and Long-term Strategic Plan of Everbright Securities and the Proposal on the Position Adjustment of Senior Management.
8. The 18th meeting of the fifth session of the Board of Directors was held on December 31, 2019. The meeting considered and approved the Proposal on the Appointment of Senior Management of the Company.

(III) Objections raised by Independent Non-executive Directors

During the Reporting Period, no objections were raised by independent non-executive Directors to relevant matters.

(IV) Training of Directors

The Company attaches great importance to the ongoing training of the Directors, in order to ensure that the Directors could have an appropriate understanding of the operation of the Company and its business and that they understand their duties and responsibilities as a director as required by the CSRC, the SSE, the Hong Kong Stock Exchange and as stipulated in the Articles of Association and other relevant laws and regulatory requirements. During the Reporting Period, the Directors of the Company received written trainings for directors of companies listed in Hong Kong provided by Clifford Chance, and written trainings on work performance for directors of listed companies provided by King & Wood Mallesons. Mr. Xu Jingchang, the convener of the audit committee, participated in the fourth phase of subsequent trainings for independent directors of listed companies held by the SSE in 2019.

SECTION VIII CORPORATE GOVERNANCE

(V) Performance of Duties of the Special Committees under the Board of Directors during the Reporting Period

To strengthen the decision-making function of the Board of Directors, and to ensure that the Board of Directors effectively monitors the management and optimizes the corporate governance structure of the Company, the Board of Directors of the Company has established the Risk Management Committee, the Audit Committee, the Remuneration, Nomination and Credentials Committee and the Strategies and Development Committee according to the Company Law, the Hong Kong Listing Rules and the relevant regulations of the supervision authorities. The members of a special committee shall consist of Directors, of which independent non-executive Directors shall represent more than half of the Audit Committee and the Remuneration, Nomination and Credentials Committee and an independent non-executive Director shall act as the chairman. At least one independent non-executive Director with more than 5 years' professional experience in accounting shall serve as a member on the Audit Committee. The establishment of any special committees under the Board of Directors shall be approved at a general meeting. During the Reporting Period, the special committee under the Board didn't raise any objection toward the related matters of the Company. In 2019, the special committees under the Board of Directors convened a total of 14 meetings, of which the Remuneration, Nomination and Credentials Committee convened six meetings, the Strategies and Development Committee convened one meeting, the Audit Committee convened five meetings and the Risk Management Committee convened two meetings. In compliance with the relevant requirements of the Articles of Association and the rules of procedures for each committee, every special committee under the Board of Directors earnestly performed its duties, made use of the professional experience of its members, thus providing a strong support for decision-making of the Board of Directors.

The composition of the fifth session of the Board of Directors is set out as follows:

Remuneration, Nomination and Credentials Committee	Xiong Yan (chairman), Yan Jun, Chan Ming Kin, Xu Jingchang, Au Sing Kun
Strategies and Development Committee	Yan Jun (chairman), Yin Lianchen, Xue Keqing, Meng Xiangkai, Wang Yong
Audit Committee	Xu Jingchang (chairman), Song Bingfang, Chan Ming Kin, Xiong Yan, Li Zheping
Risk Management Committee	Li Zheping (chairman), Ju Hao (resigned on December 27, 2019), Song Bingfang, Yin Lianchen, Au Sing Kun, Wang Yong

The duties and convention of meetings of these special committees are as follow:

Remuneration, Nomination and Credentials Committee

The Remuneration, Nomination and Credentials Committee shall have the following primary powers and duties:

1. to formulate any remuneration plan or scheme in accordance with the main scope, responsibility, importance of the management posts of a Director, the president and other officer and the remuneration level for the similar posts of other related enterprises;
2. to submit a remuneration plan or scheme to the Board of Directors including but not limited to the main plans and systems with respect to performance evaluation criteria, procedures and main evaluation system, rewards and punishments;

SECTION VIII CORPORATE GOVERNANCE

3. to review the performance of any Directors (other than independent Directors), the president and other officers of the Company and make annual appraisals of such performance;
4. to be responsible for monitoring the implementation of the remuneration system of the Company;
5. to make suggestions in respect of the scale and constitution of the Board of Directors according to the business activities, asset scale and equity structure of the Company;
6. to research for the candidates for positions of Directors and other officers;
7. to search for candidates for qualified Directors and other officers;
8. to screen any candidates for Directors, the president and other officers and make suggestions;
9. to screen and make suggestions with respect to any officers to be appointed by the Board of Directors;
10. to review and make suggestions at least once a year with respect to the structure, number and constitution of the Board of Directors (including skills, knowledge and experience); and
11. to be responsible for other matters authorized by the Board of Directors.

The Remuneration, Nomination and Credentials Committee of Board of Directors shall make opinions or suggestions at least once a year with respect to the structure, number and constitution of the Board of Directors (including skills, knowledge and experience) according to the business activities, asset scale and shareholding structure of the Company, and also make recommendations on any changes to the Board of Directors that are in line with the Company's strategy.

In terms of director nomination, the Remuneration, Nomination and Credentials Committee serves as the advisory role of the Board. The nominated candidates for new directors will be discussed firstly, and then recommended to the Board, and shall be decided by the Board whether to submit to the general meeting for election. The Remuneration, Nomination and Credentials Committee and the Board mainly consider the cultural and educational background and professional experience of the relevant candidates.

In order to comply with and implement the relevant provisions of the Hong Kong Listing Rules on the diversification of the board of directors, and ensure that the composition of the Board of Directors is more scientific and reasonable, the Company has formulated the Policy on Diversity of Directors of Everbright Securities Company Limited 《光大證券股份有限公司董事多元化政策》 and published on the websites of the Company, the main contents of which are as follows:

- Policy descriptions: When setting up the composition of Board, the Company considers and implements member diversity in a number of aspects, including but not limited to gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and service tenure. All appointments of the Board are based on the principle of meritocracy, and the diversity of members shall be fully taken into account in objective terms when considering candidates.
- Measurable goals: The candidate selection of the Company is based on a range of diversity requirements, including but not limited to gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and service tenure. The appointment decision will be ultimately based on the strengths of the candidate and the contributions that can be made to the Board.

SECTION VIII CORPORATE GOVERNANCE

The Remuneration, Nomination and Credentials Committee selects new directors in accordance with the Policy on Diversity of Directors of Everbright Securities Company Limited, with a view to achieving the diversity objectives of board members.

During the Reporting Period, the diversity analysis of the Board is as follows:

Project	Type	Number	As a percentage of Board members
Gender	Male	12	100%
	Female	0	0%
Age	40-50	3	25%
	51-60	7	58%
	61-70	2	17%
Title	Executive director	2	17%
	Non-executive director	5	42%
	Independent non-executive director	5	42%
Length of term served as the Board members of the Company	Within 5 years(inclusive)	12	100%
	5-10(not including 5 years, including 10 years)	0	0%
	Over 10 years(exclusive)	0	0%
Length of term served in securities and finance	Within 20 years	9	75%
	20-30(not including 20 years, including 30 years)	2	17%
	Over 30 years(exclusive)	1	8%
Expertise or strength in economy/finance/accounting	N/A	6	50%

The Company confirms that the composition of the Board, the background of its members and the procedures for selecting new directors during the Reporting Period was in compliance with the requirements of the Hong Kong Listing Rules regarding director diversity and the requirements of the Policy on Diversity of Directors of Everbright Securities Company Limited.

SECTION VIII CORPORATE GOVERNANCE

The Terms of Reference of the Remuneration, Nomination and Credentials Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. During the Reporting Period, the Remuneration, Nomination and Credentials Committee convened a total of six meetings, and the details are set out as follows:

Date	Session	Resolutions
March 26, 2019	Fourth meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	To consider the Resolution in Respect of the Proportion of Annual Bonus Provision of the Company in 2018
August 27, 2019	Fifth meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	To consider the Resolution in Respect of the Determination of Full Salaries of Certain Senior Management of the Company in 2018
October 8, 2019	Sixth meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	To consider the Resolution in Respect of the Resignation of Chief Executive Officer and the Appointment of Senior Management
November 21, 2019	Seventh meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	To consider the Resolution in Respect of the Position Change of Senior Management
December 19, 2019	Eighth meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	To consider the Resolution in Respect of the Determination of Full Salaries in 2018, Annual Basic Salary in 2019 and Deferred Payment of Performance Bonus of Senior Management at Director/Officer Level To consider the Resolution in Respect of Amending the Special Assessment Measures for Compliance of Senior Management of Everbright Securities Company Limited (Trial) To consider the Resolution in Respect of the Assessment of Compliance Officer of the Company in 2018 To listen to the Report on the Special Assessment Opinion of Compliance Officer on Senior Management in 2018
December 31, 2019	Ninth meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	To consider the Resolution in Respect of the Appointment of Senior Management of the Company

During the Reporting Period, the attendances of members of the Remuneration, Nomination and Credentials Committee at meetings held are as follows:

Name	Position	Number of actual attendances/ Number of meetings required attendance
Xiong Yan (chairman)	Independent non-executive Director	6/6
Yan Jun	Executive Director	6/6
Chan Ming Kin	Non-executive Director	6/6
Xu Jingchang	Independent non-executive Director	6/6
Au sing Kun	Independent non-executive Director	6/6

SECTION VIII CORPORATE GOVERNANCE

Strategies and Development Committee

The Strategies and Development Committee shall have the following primary powers and duties, including:

1. to research and make suggestions with respect to the long-term strategic plan of the Company;
2. to research and make suggestions with respect to any material financing plan required to be approved by the Board of Directors as stipulated in the Articles of Association;
3. to research and make suggestions with respect to any material capital operations and asset operation projects required to be approved by the Board of Directors as stipulated in the Articles of Association;
4. to research and make suggestions with respect to any other material matters affecting the development of the Company;
5. to examine the implementation of all such matters above; and
6. to be responsible for other matters authorized by the Board of Directors.

The Terms of Reference of the Strategies and Development Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. During the Reporting Period, the Strategies and Development Committee convened one meeting, and the details are set out below:

Date	Session	Resolutions
November 19, 2019	Third meeting of the fifth session of the Strategies and Development Committee	Proposal in Respect of "medium and long-term strategic planning of the company"

During the Reporting Period, the attendances of members of the Strategies and Development Committee at meetings held are as follows:

Name	Position	Number of actual attendances/ Number of meetings required attendance
Yan Jun (Chairman)	Executive Director	1/1
Yin Lianchen	Non-executive Director	1/1
Xue keqing	Non-executive Director	1/1
Meng Xiangkai	Non-executive Director	1/1
Wang Yong	Independent non-executive Director	1/1

SECTION VIII CORPORATE GOVERNANCE

Audit Committee

The Audit Committee shall have the following primary powers and duties:

1. to propose to engage or replace external auditors and monitor the business practice of such external auditors;
2. to monitor the internal audit system of the Company and its implementation;
3. to be responsible for communications between the internal auditors and external auditors;
4. to review the financial information of the Company and its disclosure; to monitor annual audit work and make a judgment as to the truthfulness, accuracy and completeness of the financial report and information subsequent to such audit and submit the same to the Board of Directors for consideration;
5. to review the internal control systems of the Company and audit any material related-party transactions; and
6. to be responsible for other matters authorized by the Board of Directors.

The Terms of Reference of the Audit Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. During the Reporting Period, the Audit Committee convened a total of 5 meetings, and the details are set out as follows:

Date	Session	Resolutions
January 25, 2019	Sixth meeting of the fifth session of the Audit Committee	To consider the Resolution in Respect of the Provision for Assets Impairment To consider the Resolution in Respect of the Unaudited Financial Statements of the Company in 2018
March 18, 2019	Seventh meeting of the fifth session of the Audit Committee	To consider the Resolution in Respect of the Provision for Estimated Liabilities Assets Impairment
March 27, 2019	Eighth meeting of the fifth session of the Audit Committee	To consider the Resolution in Respect of the Financial Report of the Company in 2018 To consider the Resolution in Respect of the 2018 Annual Internal Control Evaluation Report of the Company To consider the Resolution in Respect of the Audit Report of Internal Control of the Company in 2018 To consider the Resolution in Respect of the Risk Control Indicator Regulatory Statement of the Company in 2018 To consider the Resolution in Respect of Expected Daily Related/Connected Transactions in 2019 To consider the Resolution in Respect of Changes in Accounting Policies of the Company
August 27, 2019	Ninth meeting of the fifth session of the Audit Committee	To consider the Resolution in Respect of the Provision for Estimated Liabilities and Assets Impairment To consider the Resolution in Respect of the Company's Financial Report for the First Half of 2019 To listen to the Report on the Internal Audit for the Second Quarter of 2019
December 26, 2019	Tenth meeting of the fifth session of the Audit Committee	To listen to the Report on the Audit Plan and Important Audit Matters in 2019

SECTION VIII CORPORATE GOVERNANCE

During the Reporting Period, the attendances of the members of the Audit Committee at the meetings held are as follows:

Name	Position	Number of actual attendances/ Number of meetings required attendance
Xu Jingchang (chairman)	Independent non-executive Director	5/5
Song Bingfang	Non-executive Director	5/5
Chan Ming Kin	Non-executive Director	5/5
Ju Hao (resigned from his position as a member of Audit Committee on March 27, 2019 resigned on December 27, 2019)	Non-executive Director	3/3
Xiong Yan	Independent non-executive Director	5/5
Li Zheping	Independent non-executive Director	5/5

Overview of the audit work of the Company:

Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young ("EY") carried out the 2019 audit on the Company by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, EY conducted the audit on internal control as required, carried out internal control test at the Company's level and business process level (including the business processes of the headquarters and securities brokerage branches), and evaluated the effectiveness of the internal control design and whether it has been effectively implemented during the audit. Through interviews, EY understood the Company's control environment, the main operation conditions, business innovation, system updates and fraud risk. EY conducted a preliminary audit and test on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. EY also made a testing and evaluation on the main information system used by the Company and discussed timely the finding of preliminary audit with the Company's management. At the end of year-end audit, EY followed up the finding on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated the finding of year-end audit with the Company's management.

In order to successfully complete the audit in 2019 and issue relevant audit reports, the Audit Committee of the Board of Directors authorized the planning and finance department of the Company to discuss with EY about the planning of audit work, audit progress, valuation of financial instruments, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the auditing period, the Audit Committee made multiple rounds of supervision. On March 27, 2019, EY issued the standard unqualified audit reports to the Company within the scheduled time.

The Audit Committee reviewed the validity of the independence, objectivity and audit procedure of EY to ensure that the reports issued are true and objective. EY has taken the necessary protective measures in accordance with the relevant ethical requirements to prevent possible threats to independence.

The Audit Committee was of the opinion that EY has implemented the appropriate audit procedures in accordance with the requirements of the relevant accountants auditing standards, issued audit opinion on the basis of obtaining sufficient, appropriate and effective audit evidence and adhered to the independent auditing standards, which hereby ensured the smooth development of the Company's annual audit work.

SECTION VIII CORPORATE GOVERNANCE

Risk Management Committee

The Risk Management Committee is mainly responsible for monitoring the overall risk management of the Company and controlling such risks within reasonable limits, so as to ensure that the Company may implement effective risk management plans with respect to various risks in the business related activities of the Company. The Risk Management Committee is accountable to the Board of Directors and report to it, as follows:

1. to evaluate and express opinions with respect to the overall target and basic policies of compliance management and risk management;
2. to evaluate and express opinions with respect to the establishment of compliance management and risk management organizations and the powers and duties thereof;
3. to evaluate and express opinions with respect to the risks of material decisions to be considered by the Board of Directors and the solution of such material risks;
4. to review and express opinions with respect to the compliance report and risk evaluation report to be considered by the Board of Directors; and
5. to be responsible for other powers and duties as stipulated in the Articles of Association.

The Terms of Reference of the Risk Management Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. During the Reporting Period, the Risk Management Committee convened a total of 2 meetings, and the details are set out as follows:

Date	Session	Resolutions
March 26, 2019	Second meeting of the fifth session of the Risk Management Committee	To listen to the Resolution in Respect of the Report on the Risk Management of the Company in 2018 To consider the Risk Evaluation Report of the Company in 2018 To consider the Resolution in Respect of the Company's Risk Preference for 2019
August 27, 2019	Third meeting of the fifth session of the Risk Management Committee	To consider the Resolution in Respect of the Provisional Measures for Risk Preference of Everbright Securities Company Limited To listen to the Report on the Risk of the Company for the First Half of 2019

During the Reporting Period, the attendances of the members of the Risk Management Committee at the meetings held are as follows:

Name	Position	Number of actual attendances/ Number of meetings required attendance
Li Zheping (Chairman)	Independent non-executive Director	2/2
Ju Hao (resigned on December 27, 2019)	Non-executive Director	2/2
Song Bingfang	Non-executive Director	2/2
Yin Lianchen	Non-executive Director	2/2
Au Sing Kun	Independent non-executive Director	2/2
Wang Yong	Independent non-executive Director	2/2

SECTION VIII CORPORATE GOVERNANCE

V. Supervisory Committee

The Supervisory Committee is a supervisory body of the Company and shall be accountable to the general meeting. As required by the Company Law and Articles of Association, the Supervisory Committee is responsible for monitoring the Company's financial activities and internal control, and overseeing the legality and compliance of the performance of duties by the Board, the management and its members.

For the year of 2019, in strict compliance with the relevant requirements of the Company Law, the Securities Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee, the Supervisory Committee of the Company performed its duties earnestly and diligently.

(I) The meetings of the Supervisory Committee and the attendance of Supervisors during the Reporting Period

During the Reporting Period, the Supervisory Committee of the Company held a total of six meetings, including six on-site and via teleconference meetings, and supervised the Company's legal compliance, financial status, and the duty performance by the Board of Directors and the Company's management. There are no objections raised by the Supervisory Committee of the Company in respect of supervision matters during the Reporting Period.

Before attending the meetings of the Supervisory Committee, the Supervisors carefully reviewed the meeting materials, and fully discussed and considered the proposals. The Supervisors failing to attend on site obtained detailed understanding and made in-depth analysis of meeting materials and proposal background, and authorized other Supervisors to exercise their rights of voting and fulfilled the duty of Supervisors. The details of the meetings of the Supervisory Committee held during the Reporting Period are set out as follows:

1. The Seventh meeting of the fifth session of the Supervisory Committee was held on January 26, 2019. The meeting considered and approved the Resolution in Respect of Making Provision for Assets Impairment, and listened to the Resolution in Respect of Specific Research Report of the Supervisory Committee.
2. The Eighth meeting of the fifth session of the Supervisory Committee was held on March 19, 2019. The meeting considered and approved the Resolution in Respect of Making Provision for Estimated Liabilities and Assets Impairment.
3. The Ninth meeting of the fifth session of the Supervisory Committee was held on March 26, 2019. The meeting considered and approved the Resolution in Respect of Annual Report and Abstract of the Company in 2018, Resolution in Respect of Work Report of Supervisory Committee of the Company in 2018, Resolution in Respect of Evaluation Report of Internal Control of the Company in 2018, Resolution in Respect of Risk Control Indicator Regulatory Statement of the Company in 2018, Resolution in Respect of Social Responsibility Report/ESG Report of the Company in 2018, Resolution in Respect of Revisions to Accounting Policies of the Company, and Resolution in Respect of Work Plan of Supervisory Committee of the Company in 2019. The meeting listened to the Report on the Operation of the Company in 2018, Audit Work Report of the Company in 2018, and Risk Work Report of the Company in 2018. The meeting reviewed the Resolution of Internal Control Audit Report of the Company in 2018.
4. The Tenth meeting of the fifth session of the Supervisory Committee was held on April 29, 2019. The meeting considered and approved Resolution in Respect of the First Quarterly Report of the Company in 2019 and Resolution in Respect of the Compliance Work Report of the Company in 2018.

SECTION VIII CORPORATE GOVERNANCE

5. The Eleventh meeting of the fifth session of the Supervisory Committee was held on August 26, 2019. The meeting considered and approved the Resolution in Respect of Making Provision for Estimated Liabilities and Assets Impairment and the Resolution in Respect of Interim Report and Abstract of the Company in 2019. The meeting listened to the Company's Operation Report for the First Half of 2019, the Company's Risk Report for the First Half of 2019, and the Company's Internal Audit Report for the Second Quarter of 2019.
6. The Twelfth meeting of the fifth session of the Supervisory Committee was held on October 28, 2019. The meeting considered and approved the Third Quarterly Report of the Company in 2019, and listened to the Report on the Company's Special Risk Disposal.

During the Reporting Period, the attendances by the members of the Supervisory Committee at the meetings held are as follows:

Name	Number of meetings of Supervisory Committee requiring attendance	Attendance in person	Attendance by teleconference	Attendance by proxy	Absence
Liu Jiping	6	6	0	0	0
Zhang Jingcai	6	4	2	0	0
Wang Hongyang	6	4	2	0	0
Zhu Wuxiang	6	5	1	0	0
Sun Wenqiu	6	5	1	0	0
Wang Wenyi	6	6	0	0	0
Huang Qin	6	6	0	0	0
Li Xianzhi	6	6	0	0	0

The Supervisory Committee of the Company had no objections towards the matters under supervision during the Reporting Period.

(II) Trainings of Supervisors

The Company attaches great importance to the continuous trainings of Supervisors to ensure they have proper understanding of the Company's operation, business and the latest regulatory requirements. Supervisors of the Company received written trainings for supervisors of companies listed in Hong Kong provided by Clifford Chance, and written trainings on work performance for supervisors of listed companies provided by King & Wood Mallesons.

VI. The Evaluation of Senior Management as well as the Establishment and Implementation of Incentive Mechanism during the Reporting Period

Pursuant to relevant resolutions of the Board, the criteria of bonus based on annual performance of the senior management of the Company shall be considered and approved by the Remuneration, Nomination and Credentials Committee of the Board. The Company has not yet developed any equity incentive system.

SECTION VIII CORPORATE GOVERNANCE

VII. Internal Control

(I) Internal control construction

The Company has made clear the responsibilities of the Board of Directors, the Supervisory Committee, the audit department and other internal bodies in the supervision, inspection and evaluation of internal control: the Board of Directors is responsible for assessing and determining the nature and extent of the risks that the Company is willing to accept when the Company achieves its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems, including evaluating their effectiveness. During the Reporting Period, the Company has evaluated their effectiveness. These systems are designed to manage rather than eliminate the risks of failure to meet business objectives and only to make reasonable and non-absolute guarantees that there will be no material misconduct. The Audit Committee under the Board of Directors is responsible for reviewing the Company's internal controls and the effectiveness of their implementation, as well as for the supervision and inspection of the Company's internal and external audit. The Supervisory Committee independently exercises the supervisory authority and is accountable to all the shareholders. It supervises and questions the Company's finance and the duty performance by the Company's Directors and senior management so as to protect the legitimate rights and interests of the Company and its shareholders. The audit department, the risk management department, the legal and compliance department, and various other business and management departments work in cooperation with a due division of labour, and carry out periodic and ad hoc supervision and inspection of the establishment and implementation of the Company's internal control systems. The audit department carries out auditing and supervision of business, management departments and branches and supervises the rectification according to external requirements and the Company's operation and management needs.

The Company attaches great importance to the construction of internal control system and related mechanism. In accordance with the Company Law, the Securities Law, the Regulations on the Supervision and Administration of Securities Companies, the Guidelines on Internal Control of Securities Companies, the Hong Kong Listing Rules, the Basic Standards for Enterprise Internal Control and their supporting guidelines, the Company constantly improves the internal control system according to the Company's actual situation, with comprehensive consideration of factors such as internal environment, risk assessment, control activities, information and communication, internal supervision, etc.

In carrying out the risk management, the Company follows the basic procedures such as risk identification, assessment, measurement, monitoring, reporting, response and disposal, etc., and continuously improves the risk information feedback mechanism to ensure that all kinds of risks are properly handled in a timely manner. In the aspect of risk identification, the Company fully utilizes tools and methods such as qualitative analysis, quantitative model and due diligence, carries out identification and analysis of the various potential risks involved in the business carried out, the products developed, the services provided and the programs invested, further determines the risks faced by the Company and their nature, assesses their changing trend, and develops risk management measures. On the basis of risk identification, the Company selects the appropriate qualitative assessment method and quantitative model according to the type and characteristic of business risks so as to measure and evaluate risks. According to business risk measurement and assessment situation, the Company establishes corresponding risk response and relief mechanism in response to the risks of different categories, different probabilities of occurrence and different degrees of losses, and develops appropriate risk control measures to manage and mitigate the additional risks that may be triggered by mitigation tools or methods, and minimizes the impact that is/may be caused by the risk events incurred on the Company.

In view of the significant risks arising in operation and management activities, the Company conducts close monitoring of potential significant risks on the basis of strict implementation of relevant business entry, risk decision-making processes and risk limits, assesses and analyzes the adverse effects brought by them, actively takes appropriate mitigation measures, make contingency plans, carries out assessment in accordance with the timely, effective, rapid and legal disclosure principles, develops emergency response plan, and organizes relevant departments to complete the emergency treatment and recovery plans so as to ensure the sustainable operation of the Company and the compliance with regulatory requirements.

SECTION VIII CORPORATE GOVERNANCE

In consideration of internal and external environment changes and business development, the Company determines the key entities, businesses and matters to be included in the evaluation scope and identifies high risk areas according to the risk-oriented principle, covering the major aspects of the Company's operation and management, and timely tracks, discovers and improves the Company's internal control defects. Through the above work, the Company has supplemented and amended the internal policies and regulations that are incomplete or imperfect, and has refined and optimized some business processes and internal control measures to make the Company's processes more reasonable and effective enough.

(II) The Board of Directors' statement on the responsibility for internal control

It is the responsibility of the Board of Directors to establish a sound and effective internal control system, evaluate its effectiveness and truthfully disclose the internal control evaluation report according to the provisions of enterprise internal control system. The Supervisory Committee supervises the establishment and implementation of internal control by the Board of Directors. The senior management is responsible for organizing and leading the daily operation of the internal control of the Company.

The objective of the Company's internal control is to ensure that the operation and management are legal and compliant, the assets are safe, the financial reports and related information are true and complete so as to improve operational efficiency and effectiveness, and to promote the realization of the development strategy. Due to the inherent limitations of internal control, it can only provide reasonable assurance for achieving the above objectives. In addition, due to changes in the situation, internal control may become inappropriate, or the degree of compliance with control policies and procedures may reduce, and there may be certain risks in predicting the effectiveness of future internal control according to the results of internal control evaluation.

In 2020, the Company will continue to improve the internal control system, standardize the implementation of internal control system and strengthen the supervision and inspection of internal control according to the changes in the external business environment and the actual needs of the Company's development, and in accordance with the provisions and requirements of the Basic Standards for Enterprise Internal Control and the Code of Corporate Governance so as to promote the sound and sustainable development of the Company.

(III) The basis for the establishment of internal control related to financial reporting

The Company attaches importance to the establishment and perfection of the internal control system related to financial reporting. According to the requirements of the Accounting Law, accounting standard and related financial system, the Company has established corresponding rules and regulations in business accounting, costs and expenses, financial management and accounting information system management. According to the requirements of the Basic Standards for Enterprise Internal Control and the Guidelines on the Application of Enterprise Internal Control, the Company has set up a scientific financial and accounting structure, equipped with qualified financial and accounting professionals, used standardized and rigorous financial and accounting management system, and selected appropriate accounting policies and reasonable accounting estimates to ensure that the financial report prepared by the Company meets the requirements of accounting standards, and can truthfully, accurately and completely reflect the Company's financial situation, operating results, cash flow and other relevant information.

During the Reporting Period, the Company's internal control system related to financial reporting was sound and the operation was in good condition, which could guarantee the quality of financial reporting and ensure the high reliability of financial information. Since the listing of the shares of the Company, all regular reports have been timely disclosed and there was no material defect in internal control in respect of financial reporting.

SECTION VIII CORPORATE GOVERNANCE

(IV) Report on self-evaluation of internal control

The Board of Directors reviewed the effectiveness of the Company's internal control design and operation as of December 31, 2019, in accordance with laws and regulations such as the Basic Standards for Enterprise Internal Control. For details, please refer to the 2019 Annual Internal Control Evaluation Report of Everbright Securities disclosed by the Company on the SSE's website (www.sse.com.cn).

During the Reporting Period, the Company has established internal control on the business and matters included in the evaluation scope and effectively implemented it, and achieved the objectives of internal control of the Company. There were no material defects in the design or implementation of internal control. There was no significant change in the internal control that had a material impact on the evaluation conclusion during the period from the base date to the issuance date of internal control evaluation report.

The Board of Directors has made assessment on risk management and internal control in accordance with the requirements, and the Company believes that risk management and internal control systems are efficient and adequate.

(V) Description of the relevant contents of the internal control audit report

The Board of Directors has engaged Ernst & Young Hua Ming LLP (Special General Partnership) to conduct auditing on the internal control of the Company as of December 31, 2019, in accordance with laws and regulations such as the Basic Standards for Enterprise Internal Control. Ernst & Young Hua Ming LLP (Special General Partnership) has issued an unqualified auditors' report on the internal control of the Company pursuant to the Guidelines for Audit on Enterprise Internal Control. For details, please refer to the 2019 Annual Internal Control Audit Report of Everbright Securities Company Limited disclosed by the Company on the SSE's website (www.sse.com.cn).

(VI) The defects of internal control and their identification

In accordance with the requirements on the identification of material defects, significant defects and general defects as provided in the Basic Standards for Enterprise Internal Control, the Guidelines on Internal Control of Enterprises, the Guidelines on Internal Control of Securities Companies and the Guidelines on Internal Control of the Companies listed on the SSE and taking into account the Company's size, industry characteristics and risk level, etc., the Board of Directors reviewed and determined the internal control defects and the specific identification criteria applicable to the Company, which includes material defects, significant defects and general defects according to the degree of the impacts of defects.

Material defects refer to the combination of one or more control defects that may cause the enterprise to seriously deviate from control objectives. Significant defects refer to the combination of one or more control defects, which have inferior severity and economic consequences compared to material defects, but are still likely to cause the enterprise to deviate from control objectives. General defects refer to other defects other than material defects and significant defects.

(VII) Management of inside information

The Company attaches great importance to insider information management. In order to strengthen the confidentiality of insider information, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Company has formulated Measures on the Administration of Information Disclosure Matters and Measures of Registration of Insiders in accordance with the PRC Company Law, the PRC Securities Law, Provisions on Listed Companies' Establishment of Insider Registration Management System, the Hong Kong Listing Rules, and other domestic and foreign laws, regulations and other normative documents (including the relevant laws, regulations, stock listing rules or other normative documents of the place where the Company's securities are listed or promulgated by the stock exchange where the Company's securities are listed).

According to the laws and regulations of the place where the Company's securities are listed, under the Measures of Registration of insiders, the Company has clearly defined the following in the Measures of Registration of Insiders: the coverage of the information that involves the Company's operation and finance, or that may have significant impact on the market prices of the Company's securities and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Company has specified in detail the insider management, the insider information confidentiality management and the penalties for the leakage of insider information.

SECTION VIII CORPORATE GOVERNANCE

In accordance with the relevant provisions of the Measures of Registration of Insiders, the Company has issued a confidentiality reminder letter to the Directors, Supervisors, senior management and related personnel of the Company, prompting them to fulfill the confidentiality obligation before information disclosure, and timely conducted registration of insiders. During the Reporting Period, the Company was not involved in any circumstances of violating the Measures of Registration of Insiders.

The Company carried out information disclosure strictly according to regulatory requirements. In the Measures on the Administration of Information Disclosure Matters, the Company has clearly set forth the basic principles of information disclosure and the disclosure rules. In addition, the Company has specified that the Board of Directors is responsible for developing and implementing the Measures on the Administration of Information Disclosure Matters, the Company's president is the primary responsible person for the implementation of information disclosure matters management system, and the secretary to the Board of Directors is responsible for the specific coordination. The Supervisory Committee is responsible for supervising the Company's information disclosure, carrying out periodic or ad hoc inspection of the implementation of the Measures on the Administration of Information Disclosure Matters, supervising the Board of Directors to timely remedy the material defects identified, and requiring the Board of Directors to revise the relevant policies when necessary.

VIII. The Company's Risk Management, Compliance and Audit Work

(I) The Company's risk management work and the establishment of dynamic risk control indicators monitoring and capital complementing mechanism

Since 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 established a professional risk decision-making mechanism, set up a project review committee, introduce experts, and established a parent-subsidiary company integration project decision review platform. Second, the Company has put emphasis on strengthening the risk management and control of subsidiaries, and conducted strict examination and verification of project applications of subsidiaries through comprehensively tightening the business authorization of subsidiaries, clarifying the business track of subsidiaries, standardizing the review process of innovative businesses and implementing the unified risk control requirements of parent and subsidiary companies. Third, the Company has highlighted the implementation of risk preferences, and established a regular and effective monitoring and re-inspection mechanism for the risk preferences of the parent company and subsidiaries. Fourth, the Company has strengthened the centralized control, formulated the blacklist of debtors, unified credit granting mechanism and foresight on the unreliable entities lists with respect to the credit risk control to strictly control the risk. Fifth, the Company has focused on deepening internal control and management, promoting the construction of the internal control system through three aspects, namely appointing specially-assigned personnel, conducting extensive inspection on key links and deepening internal control and management duties. Sixth, 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 VIII CORPORATE GOVERNANCE

The Company strictly implemented the relevant requirements of the regulatory authorities and fully established capital supplementary mechanisms for dynamic monitoring of risk control indicators: (1) the Company has formulated risk management indicator and pressure test management system, specified risk management indicator, dynamic monitoring, pressure test, emergency treatment and supplementary mechanism; (2) the Company has established the Risk controlling indicator monitoring system, and continue to update and upgrade system according to regulatory guidance of regulatory authorities; (3) the Company regularly or irregularly carries out risk control index stress test according to needs, and reasonably evaluates the Company's index bearing capacity; (4) the Company has established a dynamic risk control index monitoring and capital supplement mechanism, to ensure the net capital and other risk control index is in compliance with standard requirement. In 2019, the Company's core risk control indicators performed well and met regulatory standards.

(II) Compliance work

Pursuant to the relevant rules of the CSRC, after considering its actual situation, the Company established a scientific and reasonable compliance management system with clear division of responsibilities. The compliance management system of the Company corresponds with its scope of operation, organizational structure and business scale. Firstly, the Company has built the philosophy of compliance and compliance culture and held the belief that every member of the Company, led by the management, should put compliance into practice as compliance creates values and is the foundation of the Company's existence in the market. Secondly, the Company specified the objectives and standards of compliance management and established a scientific, efficient and practically feasible compliance management system so as to effectively identify, assess and manage compliance risks and provide effective support and supervision for the Company to operate in compliance with laws and regulations. The Company's compliance management strictly complies with the principles of independence, comprehensiveness, efficiency and authority. Thirdly, the Company improved the organizational structure and scope of responsibilities of compliance management. The Company established a hierarchical compliance management and control mechanism with specific division of responsibility according to the requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies, specifying the corresponding compliance management duties of the Board of Directors, the Supervisory Committee, major persons-in-charge of operations management, the chief compliance officer, other executives, the legal and compliance department and the compliance management staff. As a result, the Company comprehensively improved its compliance management responsibility system covering decision making, implementation, supervision and feedback. Fourthly, the Company ensured the performance of duties of the chief compliance officer and the compliance management staff by setting up safeguarding systems in relation to remuneration and assessment as well as fully protecting the chief compliance officer and the compliance management staff's rights to know and investigate as required in the performance of their duties. Fifthly, the Company clarified the reporting and handling mechanisms of infringements of laws and regulations and potential compliance risks and formulated reporting responsibilities, methods and handling mechanisms accordingly. Sixthly, the Company further improved its compliance assessment and accountability mechanisms and established a compliance management and control mechanism that links compliance accountability, assessment and performance appraisal results and remuneration payment.

In 2019, the Company conducted over 30 compliance inspections, involving the prevention of illegal OTC fund allocation, real name system for accounts, eligibilities of investors, sales of financial products, practices of employees, basic management of business departments, and related party transactions, bond transactions, investment banking business, standardization and internal control management of subsidiaries, anti-money laundering inspections, etc. In addition, the Company actively cooperated with the People's Bank of China, CSRC, the stock exchange, China Securities Depository and Clearing Corporation and other regulatory authorities to carry out numerous on-site inspections.

SECTION VIII CORPORATE GOVERNANCE

(III) Internal audit work

During the Reporting Period, the internal audit department, closely focusing on the Company's overall strategic development plan, earnestly implemented the Company's requirements for improving risk control mechanism and strengthening internal supervision. In order to advance the full coverage of audit in a comprehensive manner, the internal audit department, taking "strengthening supervision, promoting rectification and improving quality" as its main work objective, further ramped up its audit supervisor efforts in business units, subsidiaries and branches; strengthened the examination of potential risks in subsidiaries and key businesses; strictly followed supervision duties; and conducted special audit work on related party transactions and IT according to regulatory requirements and evaluation work including the Company's anti-money laundering evaluation, internal control appraisal and the evaluation on the effectiveness of internal control in investment banking. The Company completed a total of 146 audit projects during the whole year, including 6 subsidiary-level projects, 8 department-level projects, 6 branch-level projects, 120 sales-department-level projects and 6 other special audit and appraisal projects. In addition, the Company engaged external accounting firms to conduct 6 audit projects.

The internal audit department further improved audit rectification mechanism, strengthened supervision over the rectification of problems found in the auditing and verification of the rectification of key problems to continuously improve problem rectification ratio. The internal audit department, through supervising and evaluating on the internal management, economic benefits, internal control of the entities receiving internal audit, has revealed the main risks and problems, made audit recommendations, urged the audited entities to rectify and implement, and further increased their awareness in risk prevention, improved internal management and improved internal control construction.

IX. Investor Relations

(I) Overview of investor relations

The shareholders' general meeting is the highest authoritative organ of the Company, and the shareholders exercise their rights through the shareholders' general meeting. The Company convenes and holds shareholders' general meetings in strict compliance with the relevant provisions to ensure the equal status of all shareholders, in particular the minority shareholders, and enable them to exercise their rights completely. Under the Articles of Association, the Company has orderly operated and maintained a sound and stable development, as well as effectively protected the interests of the Company and shareholders.

The Company pays high attention to the shareholders' opinions and advice, actively and regularly carrying out various investor relations activities to keep communications with shareholders and meet their reasonable needs in a timely manner. Meanwhile, the Company publishes the Company's announcements, financial information and other relevant information on the Company's website (www.ebscn.com), which acts as a channel for the effective communication with the shareholders. If the shareholder has any inquiries, he/she can make the inquiries through e-mail, hotline and letter to the office address of the Company, and the Company will promptly deal with the relevant inquiries in a proper manner. Shareholders who wish to know more about the matters related to the Company's investor relations can contact the Company's investor relations team:

Facsimile: +86-21-2216 9964
E-mail: ebs@ebscn.com
Postal address: No. 1508, Xinzha Road, Jing'an District, Shanghai, China
Postal code: 200040

SECTION VIII CORPORATE GOVERNANCE

(II) Revision of the Articles of Association during the Reporting Period

During the Reporting Period, the revision of the Articles of Association was as below:

Amendments to the relevant articles of the Articles of Association were considered and approved at the second extraordinary general meeting of 2018, and the Company received the Reply in Relation to the Approval of the Revision on Major Articles of the Articles of Association of Everbright Securities Company Limited (Hu Zheng Jian Xu Ke [2019] No. 100) issued by CSRC Shanghai Securities Regulatory Bureau for approval of the revision on major articles of the Articles of Association of the Company. For details of aforesaid amendments, please refer to information on the overseas regulatory announcement dated on October 31, 2019 published on the website of the Hong Kong Stock Exchange.

Save as disclosed above, there were no other material changes to the Articles of Association.

X. Other Matters on Corporate Governance

(I) Responsibilities of the Directors in respect of the financial statement

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this report. Each statement shall be understood separately.

The Company's Directors shall compile genuine and fair combined financial statements according to the disclosure requirements under the PRC GAAP, International Financial Reporting Standards issued by the International Accounting Standards Committee and the Hong Kong Companies Ordinance. The Company's Directors will also be responsible for the necessary internal monitoring of the combined financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

For the reporting responsibility of external auditors of the Company, Ernst & Young, please refer to the independent auditors' report.

(II) Appointment of external auditors and their remuneration

1. *External auditors appointed at present*

According to the Articles of Association, appointment of external auditors of the Company shall be decided by the general meeting, and the auditors shall serve a term of one year and may be re-engaged. In view of the fact that Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young are able to complete the work entrusted by the Company, adhere to the principles of independence, objectivity and impartiality, comply with the relevant accounting standards and professional ethics of accountants and perform audit duties diligently, the fourteenth meeting of the fifth session of the Board and the first extraordinary general meeting in 2019 considered and approved the resolution regarding the engagement of external auditors for the year 2019 and agreed to (1) continue to engage Ernst & Young Hua Ming LLP (Special General Partnership) as the PRC external auditors of the Company for the year 2019 to provide relevant domestic audit services in accordance with the PRC GAAP; (2) continue to engage Ernst & Young as the overseas external auditors of the Company for the year 2019 to provide relevant overseas audit and review services in accordance with the IFRS; (3) authorize the management of the Company to determine the audit fees based on market principles and to enter into the relevant agreements.

In the year of 2019, the Company paid the remuneration to Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young in respect of auditing the annual financial statements with a total of RMB8.14 million.

During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the Audit Committee on the selection and appointment of external auditors.

SECTION VIII CORPORATE GOVERNANCE

2. *Changes of external auditors in the past three years*

KPMG Huazhen LLP and KPMG (together "KPMG") was appointed as the external auditors of the Company in 2016. KPMG has worked with the Company for four years. With reference to the the Administrative Measures for Bidding regarding the Appointment of Accounting Firms by Financial Enterprises (Trial) 《金融企業選聘會計師事務所招標管理辦法(試行)》 issued by MOF, time limit is set for an accounting firm to continuously undertake the financial audit of the same central enterprise and its subsidiaries. Accordingly, the Company passed the resolution of the general meeting on May 24, 2017 and approved to appoint Ernst & Young Hua Ming LLP as the external auditor of the Company in PRC in 2017 and Ernst & Young as the external auditor of the Company outside of PRC in 2017.

(III) **Compliance with Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 to the Hong Kong Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. After specific inquiries to all Directors and Supervisors made by the Company, they all confirmed that they strictly complied with the standards specified in the Model Code during the Reporting Period. The Company has also set up guidelines, at least as strict as the Model Code, on transactions of the Company's securities by relevant employees (within the meaning of the Hong Kong Listing Rules). The Company did not find that relevant employees violated any of the guidelines.

(IV) **Company secretary**

Dr. Ngai Wai Fung ("Dr. Ngai") serves as the company secretary of the Company. Dr. Ngai is a director and chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited (formerly as SW Corporate Services Group Limited). During the Reporting Period, pursuant to the Hong Kong Listing Rules, Dr. Ngai had taken no less than 15 hours of professional training.

During the Reporting Period, the primary contact person of Dr. Ngai and the Company is Ms. Zhu Qin (secretary to the Board of Directors and representative of securities affairs of the Company).

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

I. Overview of Corporate Bonds

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds (RMB: yuan)	Interest rate(%)	Principal and interest payment method	Places of transaction
1706 EBS Non-public Offering Corporate Bonds (Third Tranche) (Type 2)	17 EVERBRIGHT SECURITIES 06	145507	April 26, 2017	April 26, 2020	4,000,000,000	5.00	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	3,000,000,000	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	1,500,000,000	4.70	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	4,100,000,000	4.80	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	1,600,000,000	4.90	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	2,700,000,000	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	3,300,000,000	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	1,000,000,000	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	4,000,000,000	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	2,800,000,000	4.30	Payment of interest on a yearly basis	SSE
18C1 EBS Non-public Offering Subordinated Bonds (First Tranche)	18 EVERBRIGHT SECURITIES C1	150942	December 13, 2018	December 13, 2021	3,000,000,000	4.30	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	3,000,000,000	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	3,000,000,000	3.75	Payment of interest on a yearly basis	SSE
20D1 EBS Non-public Offering Short-Term Corporate Bond (First Tranche)	20 EVERBRIGHT SECURITIES D1	162950	January 16, 2020	January 14, 2021	3,000,000,000	3.30	Payment of principal and interest at maturity	SSE
20F1 EBS Non-public Offering Corporate Bonds (First Tranche) (Epidemic prevention bond)	20 EVERBRIGHT SECURITIES F1	166222	March 9, 2020	March 9, 2023	3,000,000,000	3.19	Payment of interest on a yearly basis	SSE

SECTION IX 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. LIN 2019-002 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange 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. LIN 2019-009 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange 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. LIN 2019-018 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange 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. LIN 2019-028 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange 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. LIN 2019-032 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange for details. The principal and interest on 16 EVERBRIGHT SECURITIES 06 were paid on October 24, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2019-060 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange for details. The principal and interest on 18 EVERBRIGHT SECURITIES 02 were paid on January 20, 2020 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2020-012 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange for details. The principal and interest on 17 EVERBRIGHT SECURITIES 04 were paid on February 14, 2020 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2020-020 published on the website of SSE and relevant overseas regulatory announcement published on website the Hong Kong Stock Exchange 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 qualified investors for public offering.

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

Please refer to Note 54 to the Consolidated Financial Statements in this report for details of information on the existing bonds of Company's subsidiaries during the reporting period.

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

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

Credit rating agency	Name	China Chengxin Securities Rating Co. Ltd.
	Office address	Room 113, Zone C, Level 1, Building 3, No. 7 Zhengyi Industrial Zone, Industrial Park, Qingpu District, Shanghai, China

Bond name	Bond trustee manager			
	Name	Office address	Contact person	Contact number
17 EVERBRIGHT SECURITIES 06	China Galaxy Securities Co., Ltd.	Level 2-6, No. 35 Financial Street, Xicheng District, Beijing	Chen Qu	010-83574504
17 EVERBRIGHT SECURITIES G1	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
17 EVERBRIGHT SECURITIES G2	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
17 EVERBRIGHT SECURITIES G3	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
17 EVERBRIGHT SECURITIES G4	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
18 EVERBRIGHT SECURITIES G1	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
18 EVERBRIGHT SECURITIES G2	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
18 EVERBRIGHT SECURITIES G3	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone	Wang Kunpeng	021-38032625
18 EVERBRIGHT SECURITIES 05	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai	Yang Lingshan	021-20370733
18 EVERBRIGHT SECURITIES 06	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai	Yang Lingshan	021-20370733
18 EVERBRIGHT SECURITIES C1	China Galaxy Securities Co., Ltd.	Level 2-6, No. 35 Financial Street, Xicheng District, Beijing	Chen Qu	010-83574504
19 EVERBRIGHT SECURITIES 01	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai	Yang Lingshan	021-20370733
19 EVERBRIGHT SECURITIES 02	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai	Yang Lingshan	021-20370733
20 EVERBRIGHT SECURITIES D1	Soochow Securities Co., Ltd.	Soochow Securities Building (東吳證券大廈), No.5, Xingyang Street, Industrial Park, Suzhou	Qian Yao	0512-62938667
20 EVERBRIGHT SECURITIES F1	China Merchants Securities Co., Ltd.	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen	Liu Huachao	010-60840902

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

III. Use of Proceeds Raised from Issuance of Corporate Bonds

(I) Use of proceeds

The proceeds raised from the issuance of "17 EVERBRIGHT SECURITIES 06", "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 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", "19 EVERBRIGHT SECURITIES 02" and "20 EVERBRIGHT SECURITIES D1", after deducting issuance expenses and other related expenses, will all be used for repayment of due, redeemed or sell-backed debt financing instruments.

The proceeds raised from the issuance of "20 EVERBRIGHT SECURITIES F1", after deducting issuance expenses and other related expenses, are all proposed to be used for repayment of due debt financing instruments and support for relevant business in relation to epidemic prevention and control.

As at the date 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.

(II) 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.

(III) 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 (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 is available on the website of the SSE (<http://www.sse.com.cn>).

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

V. Corporate Bonds Credit Enhancement Mechanism, Debt Repayment Plan and Others 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 Manager of Corporate Bonds

Industrial Securities Co., Ltd. was engaged as the bond trustee manager of "18 EVERBRIGHT SECURITIES 05", "18 EVERBRIGHT SECURITIES 06", "19 EVERBRIGHT SECURITIES 01" and "19 EVERBRIGHT SECURITIES 02"; China Galaxy Securities Co., Ltd. was engaged as the bond trustee manager of "17 EVERBRIGHT SECURITIES 06" and "18 EVERBRIGHT SECURITIES C1"; and 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"; Soochow Securities Co., Ltd. was engaged as the bond trustee manager of "20 EVERBRIGHT SECURITIES D1". China Merchants Securities Co., Ltd. was engaged as the bond trustee manager of "20 EVERBRIGHT SECURITIES F1". 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. Pursuant to the Bond Trustee Management Agreements, Industrial Securities Co., Ltd. issued the Interim Report of Industrial Securities Co., Ltd. on Everbright Securities Company Limited Corporate Bond Trust Management Affairs for a total of three times; China Galaxy Securities Co., Ltd. issued the China Galaxy Securities Co., Ltd. Temporary Entrustment of Major Issues in Everbright Securities Company Limited in 2019 for a total of 11 times; Guotai Junan Securities Co., Ltd. issued a report of Guotai Junan Securities Co., Ltd. on Everbright Securities Company Limited Corporate Bonds 2019 Temporary Entrusted Management Affairs Report for a total of five times. The above reports have been disclosed on the website of the SSE (<http://www.sse.com.cn>).

The bonds trustee management reports for 2019 of the bonds mentioned above will be disclosed on the website of the SSE (<http://www.sse.com.cn>) before June 30, 2020 for the attention of investors.

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

VII. Accounting Data and Financial Indicators of the Company for the Past Two Years up to the End of the Reporting Period

Unit: Yuan Currency: RMB

Main indicator	2019	2018	Increase/ decrease for the period over the same period of last year (%)	Reason for the change
EBITDA	4,471,424,894.43	4,956,499,160.00	(9.79)	–
Current ratio	2.61	3.03	(13.99)	–
Quick ratio	1.67	1.57	6.58	–
Gearing ratio	69.11	71.32	Decreased by 2.21 percentage points	–
EBITDA to total debts ratio	0.08	0.08	(1.44)	–
Interest coverage ratio	1.47	1.66	(11.54)	–
Cash interest coverage ratio	9.17	-0.80	N/A	–
EBITDA interest coverage ratio	1.73	1.80	(3.91)	–
Loan payment ratio	N/A	N/A	N/A	–
Interest payment ratio	140.78	117.82	increased by 22.96 percentage points	–

Note 1: The above financial indicators are based on calculation in accordance with the PRC GAAP.

Note 2: The effect of client funds has been excluded from the net cash flow generated from operating activities.

Note 3: the EBITDA has removed influence of MPS.

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 revenue certificates, 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

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

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 paid the principal and interest on September 24; the Company issued the fifth tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP005BC" of Everbright Securities Co., Ltd, on August 6, 2019 and paid the principal and interest on November 6; the Company issued the sixth tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP006BC" of Everbright Securities Co., Ltd, on October 14, 2019 and paid the principal and interest on January 14, 2020; the Company issued the seventh tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP007BC" of Everbright Securities Co., Ltd, on November 5, 2019 and paid the principal and interest on January 22, 2020; the Company issued the first tranche of 2020 commercial papers (Bond Connect) "20 EVERBRIGHT SECURITIES CP001BC" of Everbright Securities Co., Ltd, on January 7, 2020 and paid the principal and interest on January 26, 2020; the Company issued the second tranche of 2020 commercial papers (Bond Connect) "20 EVERBRIGHT SECURITIES CP002BC" of Everbright Securities Co., Ltd, on February 20, 2020; and the Company issued the third tranche of 2020 commercial papers (Bond Connect) "20 EVERBRIGHT SECURITIES CP003BC" of Everbright Securities Co., Ltd, on March 10, 2020. The aforementioned commercial papers of securities company targeted at the qualified institutional investors for public offering in the inter-bank market.

IX. Banking Facilities of the Company during the Reporting Period

As at December 31, 2019, the total amount of banking facilities of the Company amounted to approximately RMB240 billion, among which the amount of approximately RMB40 billion were used and the remaining amount of approximately RMB200 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.

XI. Other Matters

During the Reporting Period, no creditors' meeting was convened by the bondholders of the Company.

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

Audited Consolidated Financial Statements

31 December 2019



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Everbright Securities Company Limited

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

Opinion

We have audited the consolidated financial statements of Everbright Securities Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 12 to 163 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Provision for a contingent liability</i>	
<p>Everbright Capital Investment Co., Ltd. (hereinafter referred to as "Everbright Capital"), a wholly-owned subsidiary of the Group, is principally engaged in the private equity investment fund business. Everbright Jinhui Investment Management (Shanghai) Co., Ltd. (hereinafter referred to as "Everbright Jinhui") is a wholly-owned subsidiary of Everbright Capital.</p> <p>In April 2016, Everbright Jinhui together with Baofeng (Tianjin) Investment Management Co., Ltd (hereinafter referred to as "Baofeng Investment"), a wholly-owned subsidiary of Baofeng Group Co., Ltd., and Shanghai Qunchang Financial Services Co., Ltd. signed a partnership agreement with the limited partners of Shanghai Jinxin Investment Consultancy Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Jinxin Fund") as general partners. Jinxin Fund acquired a 65% stake in overseas MP&Silva Holding S.A. (hereinafter referred to as "MPS") through incorporation of a special purpose vehicle. Everbright Jinhui is the managing partner of Jinxin Fund. Jinxin Fund's senior-tranche limited partners contributed RMB3,200,000 thousand, the mid-tranche limited partners contributed RMB1,000,000 thousand, and the junior-tranche limited partners contributed RMB1,000,000 thousand.</p> <p>The stakeholders of the senior-tranche limited partners of Jinxin Fund presented the Company with the "Letter of Makeup of Shortfall" with the chop 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 that the senior-tranche limited partners cannot exit their investments. One of the mid-tranche limited partners presented the "Supplementary Agreement" signed by all general partners, which agreed that general partners need to compensate the capital contribution and prospective return to the mid-tranche limited partners.</p>	<p>Out audit procedures related to the recognition of provision mainly included the following:</p> <ul style="list-style-type: none"> • We reviewed the relevant contracts, agreements, internal approval documentation and legal correspondence in respect of the investment and the related litigation and dispute; • We obtained and reviewed management's understanding about the litigation, arbitration, and asset preservation related to the MPS project investment, and reviewed relevant legal documents and other information; • We reviewed the professional advices from the external attorneys engaged by the Company regarding the litigation and dispute; • We obtained and reviewed management's assessment of the outcome of the above litigation and dispute; • We consulted with legal experts to assist us in evaluating the judgment of Everbright Capital with regard to the litigation and dispute; and • We reviewed the relevant disclosures of the incident in the financial statements.



INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Provision for a contingent liability (continued)</i>	
<p>Based on the prevailing available information and with reference to the professional advice from external attorneys, the Group made a provision in the consolidated financial statements as at 31 December 2019 amounting to RMB3,010,922 thousand for contingent losses that may result from the abovementioned "Letter of Makeup of Shortfall" and "Supplementary Agreement".</p> <p>We identified the recognition of provision as a key audit matter because of the balance and the significant management judgement and estimates used in the measurement of the provision.</p> <p>Refer to the summary of significant accounting policies in note 2.4, the significant accounting judgements and estimates in note 3 and note 14 to the consolidated financial statements.</p>	



INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Provisions for expected credit losses</u>	
<p>The Group performs impairment assessment and recognises credit loss expense for margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income on the basis of expected credit losses ("ECLs") at the reporting date. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECLs. If the credit risk has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime ECLs ("LTECL"). If the financial asset is credit-impaired, the Group measures the loss allowance at an amount equal to LTECLs. The Group considers all reasonable and supportable information in the ECL assessment, including forward-looking information.</p> <p>As at 31 December 2019, the carrying amount of the Group's margin accounts receivable was RMB34,118,659 thousand with a cumulative allowance for ECLs of RMB248,712 thousand and financial assets held under resale agreements amounting to RMB8,285,807 thousand with a cumulative allowance for ECLs of RMB1,275,453 thousand.</p> <p>As at 31 December 2019, the carrying amount of the Group's financial assets measured at amortized cost was RMB7,205,866 thousand with a cumulative allowance for ECLs of RMB353,137 thousand and the carrying amount of the Group's debt instruments at fair value through other comprehensive income was RMB12,552,867 thousand with a cumulative allowance for ECLs of RMB208,440 thousand.</p> <p>We identified the provisions for expected credit losses as a key audit matter because of the significance of the balances and the significant management judgement involved, including the classification of stages for measurement of ECLs and the estimation of future cash flows.</p>	<p>The audit procedures related to the recognition of provisions mainly included the following:</p> <ul style="list-style-type: none"> • We assessed and evaluated the design and operating effectiveness of the controls over the process for the assessment of impairment of margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income; • We assessed the Group's criteria for classification of stages and the models for measurement of ECLs; • We evaluated the key inputs related to the measurement of ECL used by management on a sampling check basis, including the probability of default, loss given default, exposure at default, discount rate and forward-looking information; • We assessed management's ECLs results and checked whether they are consistent with market practice and historical loss experience; • We reviewed the disclosures related to the impairment of margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income in the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Provisions for expected credit losses (continued)</i>	
Refer to note 28, note 38 and note 39 to the consolidated financial statements, the summary of significant accounting policies in note 2.4 and the significant accounting judgements and estimates in note 3.	



INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Assessing fair value of financial instruments</u>	
<p>As at 31 December 2019, the fair value of the Group's financial assets that are measured at fair value totalled RMB83,038,222 thousand, of which RMB16,690,178 thousand, RMB44,505,610 thousand and RMB21,842,434 thousand were classified under the fair value hierarchy as Level 1, 2 and 3 financial instruments respectively.</p> <p>As at 31 December 2019, the fair value of the Group's financial liabilities that are measured at fair value totalled RMB996,895 thousand, of which RMB42 thousand, RMB590,901 thousand and RMB405,952 thousand were classified under the fair value hierarchy as Level 1, 2 and 3 financial instruments respectively.</p> <p>The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of Level 3 financial instruments, estimates need to be developed which can involve significant management judgement.</p> <p>The Group has developed its own models to value certain financial instruments which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.</p> <p>Refer to note 64 to the consolidated financial statements, the summary of significant accounting policies in note 2.4 and the significant accounting judgements and estimates in note 3.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • We assessed and evaluated the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments; • We assessed the fair value of financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data; • We read investment agreements entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments; • We involved our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain financial instruments and to perform, on a sample basis, independent valuations of financial instruments and compared these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and • We assessed the relevant disclosures of the fair value information of financial instruments with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of goodwill</u></p> <p>As at 31 December 2019, the carrying amount of goodwill, which mainly arose from the acquisition of Everbright Securities (International) Limited ("EBSI") and Sun Hung Kai Financial Group Limited ("SHKFG") in 2011 and 2015 respectively, was RMB1,016,193 thousand.</p> <p>There is a risk that the carrying value of goodwill may not be recoverable in full through the future cash flows to be generated from the relevant cash-generating units (the "CGUs") to which the goodwill has been allocated. In order to assess the recoverable amount of goodwill, during the year management engaged an external appraiser to calculate the value in use of the relevant CGUs using the discounted cash flow model with a cash flow forecast compiled by management.</p> <p>We identified impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because determining whether any impairment is required involves a significant degree of management judgement and estimation, particularly in forecasting future cash flows, including budgeted income, the long-term growth rate and profit margins and in determining appropriate discount rates, all of which can be inherently uncertain and could be subject to management bias.</p> <p>Refer to note 23 to the consolidated financial statements, the significant accounting judgement and estimates in note 3 and the summary of significant accounting policies in note 2.4.</p>	<p>Our audit procedures to assess potential impairment of goodwill included the following:</p> <ul style="list-style-type: none"> • We assessed management's identification of the CGUs and the allocation of goodwill and other assets to each CGU with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; • We evaluated the competence, capabilities and objectivity of the external appraiser appointed by management; • We involved our internal valuation specialists to evaluate the methodology and assumptions adopted in the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards; • We tested the assumptions and critical judgements adopted in the discounted cash flow forecasts by comparing key inputs, including budgeted income, the long-term growth rate and profit margins with the historical performance of the relevant subsidiaries, details in the financial budgets approved by the board of directors, recent business pipe line reports, industry research reports and industry statistics; • We assessed the discount rates applied in the discounted cash flow forecasts by recalculating the discount rates based on market data for similar companies in the same industry and compared our calculations with the discount rates adopted in the discounted cash flow forecasts; • We performed sensitivity analyses for the key assumptions, including budgeted income and the discount rates applied to assess the impact of changes in these key assumptions on the results of impairment assessments and considering whether there were any indicators of management bias in the selection of key assumptions; • We assessed the results of the value-in-use calculations by comparison with valuations derived from price/book multiples of comparable companies in the market; and • We assessed the disclosures in the consolidated financial statements in relation to the assessment of potential impairment of goodwill with reference to the requirements of the prevailing accounting standards.



INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Everbright Securities Company Limited
(Established in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Consolidation of structured entities</u>	
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust product or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposures to and ability to influence the Group's returns from the entity. In certain circumstances, the Group may be required to consolidate a structured entity even though it has no equity interest therein.</p> <p>The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.</p> <p>As at 31 December 2019, the carrying amount of the Group's interests in structured entities sponsored by third party institutions and not consolidated by the Group was RMB40,277,631 thousand. The amount of assets held by the Group in the structured entities sponsored by the Group and not consolidated by the Group but in which it held an interest was RMB1,875,890 thousand.</p> <p>We identified the consolidation of structured entities as a key audit matter because significant management judgement can be required in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.</p> <p>Refer to note 26 to the consolidated financial statements and the significant accounting judgements and estimates in note 3.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • We made inquiries of management and inspected documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • We selected significant structured entities for each key product type and performed the following procedures: <ul style="list-style-type: none"> - We inspected the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; - We evaluated the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity; - We evaluated management's analysis of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; - We evaluated management's judgement over whether the structured entity should be consolidated or not; • We assessed the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.



INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Everbright Securities Company Limited

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

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Group either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Everbright Securities Company Limited

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Everbright Securities Company Limited

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2020

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Revenue			
Fee and commission income	5	6,715,910	5,783,468
Interest income	6	5,935,779	6,589,033
Net investment gains	7	2,195,022	803,763
Total revenue		14,846,711	13,176,264
Other income and gains	8	505,686	306,320
Total revenue and other income		15,352,397	13,482,584
Fee and commission expenses	9	(1,005,191)	(872,158)
Interest expenses	10	(4,362,845)	(4,871,907)
Staff costs	11	(3,286,739)	(3,046,030)
Depreciation and amortization expenses	12	(670,589)	(379,942)
Tax and surcharges		(59,469)	(63,909)
Other operating expenses	13	(1,676,788)	(1,738,361)
Provision for contingent liabilities	14	(1,610,922)	(1,400,000)
Impairment losses	15	(263,919)	(103,662)
Credit loss expense	16	(1,272,569)	(678,792)
Total expenses		(14,209,031)	(13,154,761)
Operating profit		1,143,366	327,823
Share of profit of associates and joint ventures		75,487	(22,382)
Profit before income tax		1,218,853	305,441
Income tax expense	17	(524,765)	(61,594)
Profit for the year		694,088	243,847
Attributable to:			
Shareholders of the Company		567,945	103,323
Non-controlling interests		126,143	140,524
Total		694,088	243,847
Basic and diluted earnings per share (in Renminbi per share)	20	0.1232	0.0224

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>2019</u>	<u>2018</u>
Profit for the year	694,088	243,847
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income		
- Net change in fair value	10,743	301,997
- Provision for ECL allowance	123,690	56,912
- Reclassified to profit or loss	(44,870)	(274,534)
Share of other comprehensive income of associates	8,690	1,484
Exchange differences on translation of financial statements in foreign currencies	40,790	71,595
Income tax impact	(22,359)	(20,987)
Total items that may be reclassified subsequently to profit or loss	<u>116,684</u>	<u>136,467</u>
Items that will not be reclassified subsequently to profit or loss:		
Equity instruments at fair value through other comprehensive income		
-Net change in fair value	189,347	(751,888)
-Income tax impact	(47,337)	187,972
Total items that will not be reclassified subsequently to profit or loss	<u>142,010</u>	<u>(563,916)</u>
Total comprehensive income for the year	<u>952,782</u>	<u>(183,602)</u>
Attributable to:		
Shareholders of the Company	812,065	(362,680)
Non-controlling interests	140,717	179,078
Total	<u>952,782</u>	<u>(183,602)</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	31 December 2019	31 December 2018
Non-current assets			
Property and equipment	21	828,811	800,043
Right-of-use assets	22	755,776	-
Goodwill	23	1,016,193	1,257,046
Other intangible assets	24	314,058	436,214
Interests in associates and joint ventures	27	1,039,416	1,096,310
Financial assets measured at amortized cost	39	5,768,844	7,606,011
Equity instruments at fair value through other comprehensive income	29	5,072,522	4,848,015
Debt instruments at fair value through other comprehensive income	28	8,875,024	7,945,473
Financial assets held under resale agreements	30	584,840	3,554,278
Refundable deposits	31	4,415,528	3,186,808
Deferred tax assets	32	1,618,157	1,235,048
Finance lease receivables	33	1,598,189	3,362,252
Long term receivables arising from sale-and-leaseback arrangements	34	254,379	-
Other non-current assets	35	168,855	153,229
Total non-current assets		32,310,592	35,480,727
Current assets			
Accounts receivable	36	3,077,872	3,211,112
Finance lease receivables	33	1,644,785	1,934,578
Long term receivable arising from sale-and-leaseback arrangements	34	199,676	-
Other receivables and prepayments	37	1,809,717	2,596,349
Margin accounts receivable	38	34,118,659	30,337,928
Debt instruments at fair value through other comprehensive income	28	3,677,843	453,406
Financial assets held under resale agreements	30	7,700,967	30,154,510
Financial assets measured at amortized cost	39	1,437,022	296,870
Financial assets at fair value through profit or loss	40	65,403,594	57,649,338
Derivative financial assets	41	9,239	26,720
Clearing settlement funds	42	1,723,018	1,475,419
Cash held on behalf of brokerage clients	43	39,937,491	33,234,544
Cash and bank balances	44	11,039,872	8,927,537
Total current assets		171,779,755	170,298,311
Total assets		204,090,347	205,779,038

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>Notes</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current liabilities			
Loans and borrowings	46	7,868,827	4,769,266
Short-term debt instruments	47	4,489,383	14,109,673
Placements from other financial institutions	48	6,063,705	5,609,349
Financial liabilities at fair value through profit or loss	49	893,218	287,616
Accounts payable to brokerage clients	50	45,710,991	35,965,897
Employee benefits payable	51	1,557,274	1,496,243
Other payables and accruals	52	7,633,917	11,436,334
Current tax liabilities	32	653,972	403,306
Financial assets sold under repurchase agreements	53	24,636,110	15,953,819
Derivative financial liabilities	41	103,677	492,824
Lease liabilities due within one year	22	255,681	-
Contract liabilities		65	-
Long-term bonds due within one year	54	23,175,697	8,680,687
Total current liabilities		<u>123,042,517</u>	<u>99,205,014</u>
Net current assets		<u>48,737,238</u>	<u>71,093,297</u>
Total assets less current liabilities		81,047,830	106,574,024
Non-current liabilities			
Loans and borrowings	46	3,811,364	10,212,460
Long-term bonds	54	24,180,767	40,837,158
Deferred tax liabilities	32	128,462	101,436
Employee benefits payable	51	998	998
Provision	14	3,010,922	1,400,000
Lease liabilities	22	489,167	-
Other non-current liabilities	55	407,342	5,264,117
Total non-current liabilities		<u>32,029,022</u>	<u>57,816,169</u>
Net assets		<u>49,018,808</u>	<u>48,757,855</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

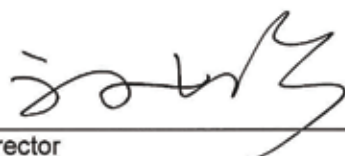
	<u>Notes</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Equity			
Share capital	56	4,610,788	4,610,788
Reserves	57	33,048,762	32,458,990
Retained profits	57	9,785,175	10,133,250
Total equity attributable to shareholders of the Company		47,444,725	47,203,028
Non-controlling interests		1,574,083	1,554,827
Total equity		49,018,808	48,757,855

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Director



Director



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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	Attributable to shareholders of the Company									
	Share capital (Note 56)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 57)	Total	Non-controlling interests	Total equity
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 year	-	-	-	-	-	-	567,945	567,945	126,143	694,088
Other comprehensive income	-	-	-	-	223,170	20,950	-	244,120	14,574	258,694
Total comprehensive income	-	-	-	-	223,170	20,950	567,945	812,065	140,717	952,782
Other movement in capital reserve	-	(109,289)	-	-	-	-	-	(109,289)	-	(109,289)
Other comprehensive income that have been reclassified to retained profits	-	-	-	-	(16,019)	-	16,019	-	-	-
Appropriation to surplus reserve	-	-	78,103	-	-	-	(78,103)	-	-	-
Appropriation to general reserve	-	-	-	392,857	-	-	(392,857)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(461,079)	(461,079)	(121,461)	(582,540)
As at 31 December 2019	4,610,788	23,278,784	2,971,443	6,868,588	138,540	(208,593)	9,785,175	47,444,725	1,574,083	49,018,808

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	Attributable to shareholders of the Company									
	Reserves							Non-controlling interests	Total equity	
	Share capital (Note 56)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 57)			Total
As at 31 December 2017	4,610,788	23,559,011	2,909,756	6,357,665	(229,572)	(262,584)	11,630,848	48,575,912	1,446,756	50,022,668
Impact of adopting IFRS 9	-	-	(63,227)	(128,224)	658,442	-	(384,099)	82,892	(4,548)	78,344
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 year	-	-	-	-	-	-	103,323	103,323	140,524	243,847
Other comprehensive income	-	-	-	-	(499,044)	33,041	-	(466,003)	38,554	(427,449)
Total comprehensive income	-	-	-	-	(499,044)	33,041	103,323	(362,680)	179,078	(183,602)
Other movement in capital reserve	-	(170,938)	-	-	-	-	-	(170,938)	-	(170,938)
Other comprehensive income that have been reclassified to retained profits	-	-	-	-	1,563	-	(1,563)	-	-	-
Appropriation to surplus reserve	-	-	46,811	-	-	-	(46,811)	-	-	-
Appropriation to general reserve	-	-	-	246,290	-	-	(246,290)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(66,459)	(988,617)
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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Profit before income tax		1,218,853	305,441
Adjustments for:			
Interest expenses		3,428,078	3,523,436
Share of profit of associates and joint ventures		(75,487)	22,382
Depreciation and amortisation expenses		673,126	379,942
Impairment losses	15	263,919	103,662
Credit loss expense	16	1,272,569	678,792
Losses/(gains) on disposal of property and equipment and other intangible assets		92	(295)
Provision for contingent liabilities	14	1,610,922	1,400,000
Foreign exchange (gains)/losses		(4,634)	19,059
Interest income and net realised gains from disposal of debt instruments at fair value through other comprehensive income		(518,161)	(1,042,350)
Interest income and net realised gains from disposal of financial instruments at amortized cost		(431,452)	(472,129)
Gain on disposal of interests in subsidiaries, associates, joint ventures		(26,973)	(2,139)
Dividend income from equity instruments at fair value through other comprehensive income		(313,806)	(383,034)
Unrealised fair value changes of financial instruments at fair value through profit or loss		(127,667)	187,349
Unrealised fair value changes of derivative financial instruments		(7,802)	42,999
		<hr/>	<hr/>
Operating cash flows before movements in working capital		6,961,577	4,763,115
		<hr/>	<hr/>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
(continued)		
<i>Changes in operating assets</i>		
(Increase)/decrease in refundable deposits	(1,228,720)	526,208
(Increase)/decrease in margin accounts receivable	(3,770,584)	7,375,254
Decrease in finance lease receivables	1,142,034	367,130
Decrease in long term receivable arising from sale-and-leaseback arrangements	460,651	-
Decrease in accounts receivable, other receivables and prepayments	1,297,866	2,065,684
Decrease/(increase) in financial assets held under resale agreements	24,574,635	(14,054,851)
Increase in financial instruments at fair value through profit or loss	(6,549,767)	(6,351,861)
(Increase)/decrease in derivative financial instruments	(363,864)	463,699
Increase in restricted bank deposits	(680,273)	(66,285)
(Increase)/decrease in cash held on behalf of brokerage clients	(6,709,080)	6,928,769
(Increase)/decrease in other investments	(59,060)	5,228,190
<i>Changes in operating liabilities</i>		
Increase/(decrease) in accounts payable to brokerage clients	10,151,330	(5,094,446)
Decrease in other payables and accruals	(3,794,263)	(5,788,519)
Increase/(decrease) in employee benefits payable	61,031	(535,863)
Increase/(decrease) in financial assets sold under repurchase agreements	8,682,291	(7,361,676)
Increase in placements from other financial institutions	454,356	2,615,649
Cash from/(used in) operations	30,630,160	(8,919,803)
Income taxes paid	(699,879)	(999,180)
Interest paid for operating activities	(930,210)	(1,466,227)
Net cash flows from/(used in) operating activities	<u>29,000,071</u>	<u>(11,385,210)</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash flows from investing activities:			
Proceeds from disposal of property and equipment and other intangible assets		13,503	942
Dividends received from associates and joint ventures		8,473	16,338
Interest income from debt instruments at fair value through other comprehensive income		1,180,607	1,924,411
Purchases of property and equipment, other intangible assets and other non-current assets		(326,902)	(226,446)
Proceeds from disposal/(purchase) of associates and joint ventures		128,580	(32,641)
Proceeds from disposal of subsidiaries		-	43
(Purchase)/proceeds from disposal of financial assets at fair value through other comprehensive income		(4,262,903)	1,553,356
Disposal of investments classified as receivables and other investments		927,461	1,348,159
		<hr/>	<hr/>
Net cash flows (used in)/from investing activities		(2,331,181)	4,584,162
Cash flows from financing activities:			
Principal portion of lease payments		(351,308)	-
Proceeds from issuance of long-term bonds		6,991,815	29,218,251
Proceeds from issuance of short-term debt instruments		27,547,080	24,698,608
Proceeds from bank and other loans		6,020,077	14,730,644
Long-term bonds repaid		(14,052,565)	(16,298,202)
Short-term debt instruments repaid		(36,853,070)	(29,460,493)
Bank and other loans repaid		(9,337,640)	(12,223,067)
Loans, bonds and debt instruments interest paid		(3,634,981)	(3,240,292)
Dividends paid		(547,705)	(988,616)
		<hr/>	<hr/>
Net cash flows (used in)/from financing activities		(24,218,297)	6,436,833
Net increase/(decrease) in cash and cash equivalents		2,450,593	(364,215)
Cash and cash equivalents at the beginning of the year		5,759,960	6,158,066
Effect of foreign exchange rate changes		31,075	(33,891)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	45	8,241,628	5,759,960

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

(All amounts expressed in RMB thousand unless otherwise specified)

1. GENERAL INFORMATION

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

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

On 1 September 2015, the Company completed the change of registration procedures for securities sold in a private placement to certain investors. Following the completion of this private placement, the total number of share capital of the Company increased from 3,418,000,000 A Shares to 3,906,698,839 A Shares, 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 over-allotment option in respect of 24,088,800 H Shares with a par value of RMB1.00 each.

As at 31 December 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). The consolidated financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

(All amounts expressed in RMB thousand unless otherwise specified)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(All amounts expressed in RMB thousand unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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 above new and revised IFRSs has had no significant financial effect on these financial statements.

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 all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors 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 has 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").

(All amounts expressed in RMB thousand unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

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.

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.

As a lessee – Leases previously classified as operating leases

(1) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

(2) Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

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.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

(All amounts expressed in RMB thousand unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

(2) *Impacts on transition* (continued)

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application.

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

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

(b) 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
Less:	
Commitments relating to short-term leases	(22,253)
Commitments relating to leases with a remaining lease term ended on or before 31 December 2019	(25,531)
Commitments relating to leases of low-value assets	(4,137)
Add:	
Other adjustment	902
Weighted average incremental borrowing rate as at 1 January 2019	4.4246%
Operating lease commitments as at 1 January 2019 under IFRS 16	880,139
Discounted operating lease commitments as at 1 January 2019	(69,297)
Lease liabilities as at 1 January 2019	<u>810,842</u>

(All amounts expressed in RMB thousand unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Annual Improvements 2015-2017 Cycle sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. Details of the amendments as follows:

IFRS 3 *Business Combinations* clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The Group has had no joint operation and therefore, the amendments are not applicable to the Group’s consolidated financial statements.

IFRS 11 *Joint Arrangements* clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation. The Group has had no joint operation and therefore, the amendments are not applicable to the Group’s consolidated financial statements.

(All amounts expressed in RMB thousand unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (continued)

IAS 12 *Income Taxes* clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's consolidated financial statements.

IAS 23 *Borrowing Costs* clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Definition of a Business¹</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material¹</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current³</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ No mandatory effective date yet determined but available for adoption

(All amounts expressed in RMB thousand unless otherwise specified)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level I – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level II – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level III – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Types of assets</u>	<u>Estimated useful lives</u>	<u>Estimated residual values</u>	<u>Depreciation rates</u>
Buildings	40 years	-	2.50%
Motor vehicles	5 years	-	20.00%
Electronic equipment	3 years	-	33.33%
Furniture and fixtures	5 years	-	20.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Useful lives of each category of intangible assets are as follows:

Types of asset	Estimated useful lives
Software	3 years
Customer relationship	2.5 to 10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Types of asset	Estimated useful lives
Buildings	1 to 12 years
Others	1 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease 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 termination of 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 an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the minimum lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

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 are 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.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and credit losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group’s financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

The collateral is not recognised on the statement of financial position, and the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risk and rewards of ownership are also transferred.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expenses respectively.

Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in note 2.4.

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment are stated at cost less impairment loss in the company level statement of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers would decrease by the difference, in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers would increase by the difference after deducting withholding stamp duty and commission.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provision above; and (ii) the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with the guidance for revenue recognition.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (b) Underwriting and sponsorship business
Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.
- (c) Asset management business
Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.
- (d) Other business
Income from other business is recognised when control of goods or services is transferred to the customers.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

Lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Other expenses

Other expenses are recognised on an accrual basis.

Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- right-of-use assets
- other intangible assets
- equity investments in subsidiaries
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from a rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Dividends

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administration of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of the reporting period. The equity items, excluding “retained profits”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operations are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group’s internal organisation, management requirements and the internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information regarding financial performance is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each product and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(All amounts expressed in RMB thousand unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. Management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods.

Contractual cash flows characteristics

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. Management needs to make significant judgment on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. For instance, determining whether contractual cash flows could be significantly different from the benchmark cash flows involves judgment when assessing a modified time value of money element, whether the fair value of prepayment features is insignificant also needs judgment when assessing and determining the financial assets with prepayment features.

Transfer of financial assets

Management needs to make significant judgement on the transfer of financial assets. Whether financial assets being transferred or not may affect accounting methods as well as the financial position and operating results of the Group.

Determination of the consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group controls an entity. The principle of control includes three elements: (i) power over the entity; (ii) exposure, or rights, to variable returns from involvement with the entity; and (iii) the ability to use power over the entity to affect the amount of entity's returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group is involved as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

(All amounts expressed in RMB thousand unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Provision

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustments if necessary.

Impairment of financial instruments

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgment and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgment and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economy indicators, and industry risk.

(All amounts expressed in RMB thousand unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumptions.

Impairment of goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Depreciation and amortisation

Property and equipment, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(All amounts expressed in RMB thousand unless otherwise specified)

4. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%, 25%
Value added tax ("VAT")	Taxable revenue	3%-16%
City maintenance and construction tax	Value added tax paid	1%,7%
Education surcharge	Value added tax paid	3%

The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

According to the *Announcement over Relevant Policies of Deepening Reform of Value Added Tax* published on 21 March 2019 (Announcement 2019 No.39 jointly by the Ministry of Finance, State Administration of Taxation, and General Administration of Customs), since 1 April 2019, the tax rate for VAT taxable sales or imported goods of taxpayers which were subject to the original 16% and 10% tax rates, have were adjusted to 13% and 9% respectively.

5. FEE AND COMMISSION INCOME

	2019	2018
Income from securities brokerage and investment advisory business	3,268,154	2,854,753
Income from asset management business	1,707,467	1,470,656
Income from underwriting and sponsorship business	1,329,495	921,550
Income from futures brokerage business	263,290	268,490
Income from financial advisory business	127,527	242,416
Others	19,977	25,603
Total	6,715,910	5,783,468

6. INTEREST INCOME

	2019	2018
Interest income arising from		
- Margin financing and securities lending	2,398,344	2,557,472
- Deposits in financial institutions	1,562,966	1,230,251
- Securities-backed lending and stock repurchases	745,629	1,234,948
- Debt instruments at fair value through other comprehensive income	471,626	720,996
- Financial assets measured at amortized cost	385,812	434,519
- Finance leases	253,473	257,747
- Financial assets held under resale agreements	36,809	28,851
- Others	81,120	124,249
Total	5,935,779	6,589,033

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

7. NET INVESTMENT GAINS

	<u>2019</u>	<u>2018</u>
Net realised gains/(losses) from		
- Financial instruments at fair value through profit or loss	(34,034)	(2,111,317)
- Derivative financial instruments	(3,419)	551,209
- Debt instruments at fair value through other comprehensive income	44,870	290,244
- Financial assets measured at amortized cost	22,242	4,308
Dividend and interest income from		
- Financial instruments at fair value through profit or loss	1,733,820	1,916,633
- Equity instruments at fair value through other comprehensive income	296,073	383,034
Unrealised fair value changes of		
- Financial instruments at fair value through profit or loss	127,668	(187,349)
- Derivative financial instruments	7,802	(42,999)
Total	<u>2,195,022</u>	<u>803,763</u>

8. OTHER INCOME AND GAINS

	<u>2019</u>	<u>2018</u>
Government grants	280,057	221,620
Income from bulk commodity trading	85,435	-
Income from agent business	42,219	47,996
Rental income	21,335	11,457
Exchange gains/(losses)	4,634	(19,059)
Income from advisory business	272	2,010
Others	71,734	42,296
Total	<u>505,686</u>	<u>306,320</u>

9. FEE AND COMMISSION EXPENSES

	<u>2019</u>	<u>2018</u>
Expenses arising from		
- Securities brokerage and advisory business	904,364	743,062
- Underwriting and sponsorship business	79,478	104,970
- Futures brokerage business	21,265	21,132
- Asset management business	84	2,994
Total	<u>1,005,191</u>	<u>872,158</u>

(All amounts expressed in RMB thousand unless otherwise specified)

10. INTEREST EXPENSES

	<u>2019</u>	<u>2018</u>
Interest expenses for		
Debt financing expenses		
- Long-term bonds	2,581,982	2,863,011
- Loans and borrowings	648,567	457,774
- Placements from other financial institutions	231,446	143,091
- Short-term debt instruments	163,479	202,651
- Lease liabilities	34,050	-
Subtotal	<u>3,659,524</u>	<u>3,666,527</u>
- Financial assets sold under repurchase agreements	477,031	852,561
- Other structured entities' holders	111,466	239,307
- Accounts payable to brokerage clients	97,244	86,466
- Others	17,580	27,046
Total	<u><u>4,362,845</u></u>	<u><u>4,871,907</u></u>

11. STAFF COSTS

	<u>2019</u>	<u>2018</u>
Salaries, bonuses and allowances	2,721,132	2,507,327
Contributions to pension schemes	242,555	247,399
Other social welfare	323,052	291,304
Total	<u><u>3,286,739</u></u>	<u><u>3,046,030</u></u>

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

12. DEPRECIATION AND AMORTIZATION EXPENSES

	<u>2019</u>	<u>2018</u>
Amortization of right-of-use assets	294,438	-
Amortisation of other intangible assets	217,946	208,199
Depreciation of property and equipment	108,883	123,341
Amortisation of leasehold improvements and long-term deferred expenses	49,322	48,402
Total	<u><u>670,589</u></u>	<u><u>379,942</u></u>

(All amounts expressed in RMB thousand unless otherwise specified)

13. OTHER OPERATING EXPENSES

	<u>2019</u>	<u>2018</u>
Fund and asset management plan distribution and custodian expenses	333,947	237,930
IT expenses	270,908	247,907
Promotion and entertainment expenses	186,776	171,471
Business travel expenses	151,065	153,630
Rental expenses and utilities	144,389	421,920
Postal and communication expenses	91,453	82,037
Labour outsourcing expenses	85,309	85,265
Cost of bulk commodity trading	84,096	-
Stock exchange management fees	80,673	59,692
Consulting and professional services	47,975	46,264
Securities/futures investor protection funds	44,174	48,411
Auditors' remuneration	9,616	8,673
Compensation and penalties	-	137
Others	146,407	175,024
Total	<u>1,676,788</u>	<u>1,738,361</u>

14. PROVISION FOR CONTINGENT LIABILITIES

(a) Provision

	<u>31 December 2019</u>	<u>31 December 2018</u>
Provision	<u>3,010,922</u>	<u>1,400,000</u>

(b) Provision for contingent liabilities

	<u>2019</u>	<u>2018</u>
At the beginning of the year	1,400,000	-
Provision for the year	<u>1,610,922</u>	<u>1,400,000</u>
At the end of the year	<u>3,010,922</u>	<u>1,400,000</u>

(All amounts expressed in RMB thousand unless otherwise specified)

14. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

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 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., signed a partnership agreement with the limited partners of Shanghai Jinxin Investment Consultancy Partnership Enterprise (Limited Partnership) (hereinafter referred to as “Jinxin Fund”) as general partners 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 the 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 Jinxin 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. One of the mid-tranche limited partner presented the “Supplementary Agreement” signed by all general partners with this mid-tranche limited partner. The Supplementary Agreement stated that all general partners have the obligation to make up the corresponding shortfall to the extent that the mid-tranche limited partner 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.

In addition, on 22 October 2018, Shanghai Hua Rui Bank Co., Ltd. (hereinafter referred to as “Hua Rui Bank”), the stakeholder of 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 for principal of RMB400 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 equity interests in some investments. As of the date of approval of the financial statements, the hearings for the arbitration against Everbright Jinhui have taken place but not judged, and trial for the civil litigation case against Everbright Capital has been suspended.

On 14 November 2018, Shenzhen Hengxiang Equity Investment Fund LLP (limited partnership) (hereinafter referred to as “Shenzhen Hengxiang”), one of the mid-tranche limited partners of Jinxin Fund, initiated arbitration proceedings against Everbright Jinhui to recover the investment principal, investment return, legal and arbitration costs amounting to RMB167.81 million for principal of RMB150 million. The People’s Court of Jingan District of Shanghai has frozen the relevant equity interests in some investments held by Everbright Jinhui. As of the date of approval of the financial statements, the hearings for the arbitration against Everbright Jinhui have taken place but not judged.

(All amounts expressed in RMB thousand unless otherwise specified)

14. 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 RMB2,800 million, accrued interest, penalties and other claims. As of the date of approval of the financial statements, the trial of this lawsuit has not judged.

Based on the assessment of the current situation and considering the professional advices provided by the attorneys engaged, the Company is of the view that there may be irregularities over the issuance of the “Letter of Makeup of Shortfall” and “Supplementary Agreement” 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 liabilities amounting to RMB3.01 billion as of 31 December 2019 (31 December 2018: RMB1.40 billion), in accordance with the 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 the 65% equity interests in MPS from Jinxin Fund and other related costs, totalling RMB751.19 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 other 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, No. Lin 2019-037, Lin 2019-051 and Lin 2020-015 for more details.

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

15. IMPAIRMENT LOSSES

	<u>2019</u>	<u>2018</u>
Provision for impairment of goodwill	263,919	-
Provision for impairment losses against interests in associates and joint ventures	<u>-</u>	<u>103,662</u>
Total	<u><u>263,919</u></u>	<u><u>103,662</u></u>

16. CREDIT LOSS EXPENSE

	<u>2019</u>	<u>2018</u>
Provision for/(reversal of) credit losses against		
- Financial assets held under resale agreements	848,346	397,849
- Financial assets measured at amortized cost	214,976	123,083
- Debt instruments at fair value through other comprehensive income	152,089	69,613
- Other receivables	45,048	21,975
- Accounts receivable	23,846	49,055
- Margin accounts receivable	(7,613)	18,527
- Finance lease receivables	(9,480)	5,884
- Long term receivable arising from sale-and-leaseback arrangements	6,596	-
- Factoring receivables	<u>(1,239)</u>	<u>(7,194)</u>
Total	<u><u>1,272,569</u></u>	<u><u>678,792</u></u>

(All amounts expressed in RMB thousand unless otherwise specified)

17. INCOME TAX EXPENSE

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

	<u>2019</u>	<u>2018</u>
Current tax		
- Mainland China income tax	898,513	552,512
- Hong Kong profits tax	<u>38,526</u>	<u>38,948</u>
	937,039	591,460
Adjustment in respect of prior years		
- Mainland China income tax	8,165	10,903
Deferred tax		
Origination and reversal of temporary differences	<u>(420,439)</u>	<u>(540,769)</u>
Total	<u>524,765</u>	<u>61,594</u>

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

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

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

	<u>2019</u>	<u>2018</u>
Profit before income tax	<u>1,218,853</u>	<u>305,441</u>
Tax at the PRC statutory tax rate of 25%	304,713	76,360
Effect of different tax rates of subsidiaries	31,945	(2,585)
Non-deductible expenses	78,269	50,308
Non-taxable income	(136,502)	(114,444)
Recognition of deductible temporary differences		
previously not recognised	(317)	(4,696)
Adjustment for prior years	8,165	10,903
Utilization of tax losses and deductible temporary differences		
previously not recognised	(11,617)	(1,255)
Tax effect of unrecognised temporary differences and unused tax loss	247,735	35,241
Others	<u>2,374</u>	<u>11,762</u>
Total	<u>524,765</u>	<u>61,594</u>

(All amounts expressed in RMB thousand unless otherwise specified)

18. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office during the reporting period is as follows:

Name	2019				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to pensions schemes	Discretionary bonuses	
Directors					
Yan Jun ⁽¹⁾	-	2,484	-	-	2,484
Liu Qiuming ⁽³⁾	-	-	-	-	-
Song Bingfang ⁽²⁾⁽⁴⁾	-	-	-	-	-
Yin Lianchen ⁽²⁾	-	-	-	-	-
Chan Ming Kin ⁽²⁾	-	-	-	-	-
Xue Keqing ⁽²⁾⁽⁵⁾	-	-	-	-	-
Meng Xiangkai ⁽⁶⁾	-	-	-	-	-
Independent directors					
Xu Jingchang	121	-	-	-	121
Xiong Yan	121	-	-	-	121
Li Zheping	121	-	-	-	121
Au Sing Kun	121	-	-	-	121
Wang Yong ⁽⁷⁾	121	-	-	-	121
Supervisors					
Liu Jiping	-	3,336	-	-	3,336
Zhang Jingcai ⁽²⁾⁽⁸⁾	-	-	-	-	-
Wang Hongyang ⁽²⁾⁽⁹⁾	-	-	-	-	-
Zhu Wuxiang	83	-	-	-	83
Sun Wenqiu ⁽¹⁰⁾	83	-	-	-	83
Wang Wenyi	-	965	-	-	965
Huang Qin	-	1,064	-	-	1,064
Li Xianzhi ⁽¹¹⁾	-	1,220	-	-	1,220
Total	771	9,069	-	-	9,840

(All amounts expressed in RMB thousand unless otherwise specified)

18. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Name	2018				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to pensions schemes	Discretionary bonuses	
Directors					
Xue Feng ⁽¹²⁾	-	2,742	-	-	2,742
Yan Jun ⁽¹⁾	-	-	-	-	-
Ju Hao ⁽²⁾⁽¹³⁾	-	-	-	-	-
Song Bingfang ⁽²⁾⁽⁴⁾	-	-	-	-	-
Yin Lianchen ⁽²⁾	-	-	-	-	-
Chan Ming Kin ⁽²⁾	-	-	-	-	-
Xue Keqing ⁽²⁾⁽⁵⁾	-	-	-	-	-
Independent directors					
Xu Jingchang	121	-	-	-	121
Xiong Yan	121	-	-	-	121
Li Zheping	121	-	-	-	121
Au Sing Kun	121	-	-	-	121
Wang Yong ⁽⁷⁾	20	-	-	-	20
Supervisors					
Liu Jiping	-	1,809	-	-	1,809
Zhang Jingcai ⁽²⁾⁽⁸⁾	-	-	-	-	-
Wang Hongyang ⁽²⁾⁽⁹⁾	-	-	-	-	-
Zhu Wuxiang	83	-	-	-	83
Sun Wenqiu ⁽¹⁰⁾	21	-	-	-	21
Wang Wenyi	-	910	-	-	910
Huang Qin	-	1,103	-	-	1,103
Li Xianzhi ⁽¹¹⁾	-	1,237	-	-	1,237
Total	608	7,801	-	-	8,409

(1) Appointed as Chairman on 29 April 2019.

(2) The remuneration of these directors and supervisors of the Company was borne by its shareholders and other related parties including China Everbright Group Ltd. and China Everbright Limited. No allocation of the remuneration between these related parties and the Group has been made during the reporting period.

(3) Appointed as director on 3 March 2020.

(4) Appointed as director on 13 August 2018.

(5) Appointed as director on 9 November 2017.

(6) Appointed as director on 15 March 2019.

(7) Appointed as independent director on 1 November 2018.

(8) Appointed as supervisor on 17 October 2017.

(9) Appointed as supervisor on 17 October 2017.

(10) Appointed as supervisor on 30 September 2018.

(All amounts expressed in RMB thousand unless otherwise specified)

18. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(11) Appointed as supervisor on 17 October 2017.

(12) Resigned as director on 28 April 2019.

(13) Resigned as director on 27 December 2018.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or as an inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the reporting period.

19. INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in note 18. The aggregate of the emoluments is as follows:

	2019	2018
Salaries and allowances	6,239	7,642
Discretionary bonuses	45,576	76,027
Employer's contributions to pension schemes	212	303
Total	<u>52,027</u>	<u>83,972</u>

The emoluments with the highest emoluments are within the following bands:

	2019	2018
	Number of individuals	Number of individuals
HKD Nil to HKD 1,000,000	-	-
HKD 1,000,001 to HKD 1,500,000	-	-
HKD 1,500,001 to HKD 2,000,000	-	-
HKD 2,000,001 to HKD 2,500,000	-	-
HKD 2,500,001 to HKD 3,000,000	-	-
HKD 3,000,001 to HKD 3,500,000	-	-
HKD 3,500,001 to HKD 4,000,000	-	-
HKD 4,000,001 to HKD 4,500,000	-	-
HKD 4,500,001 to HKD 5,000,000	-	-
HKD 5,000,001 to HKD 5,500,000	-	-
HKD 5,500,001 to HKD 6,000,000	-	-
HKD 6,000,001 to HKD 6,500,000	-	-
HKD 6,500,001 to HKD 7,000,000	-	-
HKD 7,000,001 to HKD 7,500,000	-	-
HKD 7,500,001 to HKD 8,000,000	-	-
HKD 8,000,001 to HKD 8,500,000	-	-
HKD 8,500,001 to HKD 9,000,000	2	-
HKD 9,000,001 to HKD 9,500,000	-	-
HKD 9,500,001 to HKD 10,000,000	1	-
More than HKD 10,000,001	<u>2</u>	<u>5</u>

No emoluments are paid or payable to these individuals as benefits for retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

(All amounts expressed in RMB thousand unless otherwise specified)

20. BASIC AND DILUTED EARNINGS PER SHARE

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

	<u>2019</u>	<u>2018</u>
Profit attributable to shareholders of the Company	<u>567,945</u>	<u>103,323</u>
Weighted average number of ordinary shares in issue (in thousand) (a)	<u>4,610,788</u>	<u>4,610,788</u>
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)	<u>0.1232</u>	<u>0.0224</u>

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

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

	<u>2019</u>	<u>2018</u>
Number of ordinary shares as at 1 January	4,610,788	4,610,788
Increase in weighted average number of ordinary shares	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares in issue	<u>4,610,788</u>	<u>4,610,788</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

21. PROPERTY AND EQUIPMENT

Cost	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
As at 1 January 2018	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	914,993	25,069	598,510	322,940	14,484	1,875,996
Additions	-	89,496	35,747	22,253	20,956	168,452
Transfers during the year	-	-	-	4,302	(32,335)	(28,033)
Disposals and others	-	(387)	(36,204)	(6,447)	-	(43,038)
As at 31 December 2019	914,993	114,178	598,053	343,048	3,105	1,973,377
Accumulated depreciation						
As at 1 January 2018	(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	(293,782)	(20,440)	(513,395)	(248,336)	-	(1,075,953)
Charge for the year	(23,746)	(4,212)	(57,637)	(25,826)	-	(111,421)
Disposals and others	-	387	36,126	6,295	-	42,808
As at 31 December 2019	(317,528)	(24,265)	(534,906)	(267,867)	-	(1,144,566)
Carrying amount						
As at 31 December 2019	597,465	89,913	63,147	75,181	3,105	828,811
As at 31 December 2018	621,211	4,629	85,115	74,604	14,484	800,043

As at 31 December 2019 and 2018, included in buildings, there was a carrying amount of RMB1,270 thousand and RMB1,343 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

(All amounts expressed in RMB thousand unless otherwise specified)

22. LEASES

(a) The Group as a lessee

(i) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2019	823,884	2,313	826,197
Additions	232,874	4,506	237,380
Disposals and others	<u>(16,231)</u>	<u>-</u>	<u>(16,231)</u>
As at 31 December 2019	<u>1,040,527</u>	<u>6,819</u>	<u>1,047,346</u>
Accumulated depreciation			
As at 1 January 2019	-	-	-
Charge for the year	(293,234)	(1,204)	(294,438)
Disposals and others	<u>2,868</u>	<u>-</u>	<u>2,868</u>
As at 31 December 2019	<u>(290,366)</u>	<u>(1,204)</u>	<u>(291,570)</u>
Net carrying amount			
As at 31 December 2019	<u>750,161</u>	<u>5,615</u>	<u>755,776</u>
As at 1 January 2019	<u>823,884</u>	<u>2,313</u>	<u>826,197</u>

(ii) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	<u>2019</u>
Carrying amount at 1 January	810,842
New leases	237,380
Accretion of interest recognised during the year	34,050
Payments	(351,308)
Others	<u>13,884</u>
Carrying amount at 31 December	<u>744,848</u>
Analysed into:	
Current portion	255,681
Non-current portion	<u>489,167</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

22. LEASES (continued)

(a) The Group as a lessee (continued)

(iii) The amounts recognised in profit or loss in relation to leases are as follows:

	<u>2019</u>
Amortization of right-of-use assets	294,438
Interest on lease liabilities	34,050
Expense relating to short-term leases	33,809
Expense relating to leases of low-value assets	<u>712</u>
Total	<u>363,009</u>

(iv) Operating lease commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	<u>31 December 2018</u>
Within 1 year (inclusive)	330,622
1-2 years (inclusive)	217,973
2-3 years (inclusive)	102,746
After 3 years	<u>279,817</u>
Total	<u>931,158</u>

(b) The Group as a lessor

(i) The amounts recognised in profit or loss in relation to leases are as follows:

The Group leases its buildings and transportation equipment consisting of some commercial properties and a plane under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB21,335 thousand, details of which are included in note 8 to the financial statements.

As at 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

22. LEASES (continued)

(b) The Group as a lessor (continued)

(i) The amounts recognised in profit or loss in relation to leases are as follows (continued):

	<u>2019</u>
Within one year	20,371
After one year but within two years	13,249
After two years but within three years	12,901
After three years but within four years	11,234
After four years but within five years	11,249
After five years	<u>43,280</u>
Total	<u><u>112,284</u></u>

23. GOODWILL

	<u>31 December 2019</u>	<u>31 December 2018</u>
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	192,785	155,897
Less: Provision for impairment losses	(647,131)	(383,212)
Effect of exchange rate changes for impairment provision	<u>(33,662)</u>	<u>(19,840)</u>
Carrying amount	<u>1,016,193</u>	<u>1,257,046</u>

Impairment testing on goodwill

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Futures brokerage	9,380	9,380
Wealth management, investment banking and brokerage	<u>1,687,606</u>	<u>1,650,718</u>
Total	<u>1,696,986</u>	<u>1,660,098</u>

(All amounts expressed in RMB thousand unless otherwise specified)

23. GOODWILL (continued)

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

The Group acquired the investment banking business and brokerage business in Hong Kong together with the relevant assets and liabilities, and the interest in Everbright Securities (International) Limited in 2011. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking and brokerage CGU.

The Group acquired the wealth management and brokerage business in Hong Kong together with the relevant assets and liabilities, and the interest in Sun Hung Kai Financial Group Limited in 2015. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the wealth management and brokerage CGU.

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 a 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 pre-tax discount rate of 16.95% (2018: 19.16%), which reflected specific risks related to the CGU. The cash flows beyond the five-year budget period were extrapolated using an estimated long-term growth rate of 3%(2018: 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. Such estimation is based on the CGU's past performance and management's expectations for the market development.

(All amounts expressed in RMB thousand unless otherwise specified)

24. OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
Cost			
As at 1 January 2018	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	859,870	740,202	1,600,072
Additions	3,727	92,063	95,790
Disposals and others	-	-	-
As at 31 December 2019	<u>863,597</u>	<u>832,265</u>	<u>1,695,862</u>
Accumulated amortisation			
As at 1 January 2018	(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	(572,755)	(591,103)	(1,163,858)
Charge for the year	(147,429)	(70,517)	(217,946)
As at 31 December 2019	<u>(720,184)</u>	<u>(661,620)</u>	<u>(1,381,804)</u>
Carrying amount			
As at 31 December 2019	<u>143,413</u>	<u>170,645</u>	<u>314,058</u>
As at 31 December 2018	<u>287,115</u>	<u>149,099</u>	<u>436,214</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Everbright Futures Co., Ltd.* ⁽¹⁾ 光大期貨有限公司	PRC 8 April 1993	RMB 1,500,000,000	100%	100%	Futures brokerage corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Pramerica Fund Management Co., Ltd.* ⁽¹⁾ 光大保德信基金管理有限公司	PRC 22 April 2004	RMB 160,000,000	55%	55%	Fund management corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Capital Investment Co., Ltd.* ⁽¹⁾ 光大資本投資有限公司	PRC 7 November 2008	RMB 4,000,000,000	100%	100%	Direct investment corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Securities Financial Holdings Limited ⁽¹⁾ 上海光大證券資產管理有限公司	Hong Kong 19 November 2010	HKD 2,765,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Shanghai Everbright Securities Assets Management Co., Ltd.* ⁽¹⁾ 上海光大證券資產管理有限公司	PRC 21 February 2012	RMB 200,000,000	100%	100%	Asset management corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Fortune Investment Co., Ltd.* ⁽¹⁾ 光大富尊投資有限公司	PRC 26 September 2012	RMB 2,000,000,000	100%	100%	Alternative investment corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Securities (International) Limited Everbright Photon Investment Management Co., Ltd.* 光大光子投資管理有限公司	British Virgin Islands 14 July 1992	HKD 1,000	100%	100%	Investment holding	N/A	N/A
Everbright Development Investment Co., Ltd.* ⁽¹⁾ 光大發展投資有限公司	PRC 26 June 2014	RMB 120,000,000	100%	100%	Risk management service corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
	PRC 12 June 2017	RMB 500,000,000	100%	100%	Direct investment corporation	EY PRC PRC GAAP	EY PRC PRC GAAP

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Everbright Financial Investment Limited	Hong Kong 14 August 2014	HKD 650,000,000	100%	100%	Investment holding	EY	EY
China Everbright Securities (HK) Limited ⁽³⁾	Hong Kong 4 January 1991	HKD 1,000,000,000	100%	100%	Securities brokerage and margin financing	HKFRS EY	HKFRS EY
China Everbright Research Limited ⁽³⁾	Hong Kong 30 July 1992	HKD 5,500,000	100%	100%	Investment research	HKFRS	HKFRS
China Everbright Forex & Futures (HK) Limited ⁽³⁾	Hong Kong 19 August 1993	HKD 200,000,000	100%	100%	Futures brokerage and leveraged foreign exchange	HKFRS	HKFRS
China Everbright Securities International Limited ⁽³⁾	Hong Kong 4 January 1994	HKD 5,000,000	100%	100%	Investment holding and provision of management services	EY	EY
China Everbright Capital Limited ⁽³⁾	Hong Kong 4 January 1994	HKD 50,000,000	100%	100%	Corporate finance	HKFRS EY	HKFRS EY
Luxfull Limited ⁽³⁾	British Virgin Islands 7 March 1997	USD1	100%	100%	Investment holding	HKFRS	HKFRS
Timbo Investment Limited ⁽³⁾	British Virgin Islands 8 April 1997	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Wealth Management Limited ⁽³⁾	Hong Kong 6 December 2002	HKD 500,000	100%	100%	Wealth management	EY	EY
China Everbright Bullion Investment Limited ⁽³⁾	Hong Kong 20 August 2004	HKD1,000	100%	100%	Bullion trading services	HKFRS	HKFRS
Bolson Limited ⁽³⁾	Hong Kong 2 November 2007	HKD10,000	100%	100%	Holding of motor vehicles and licenses	HKFRS	HKFRS
Shenzhen Baoyoudi Technology Co., Ltd.* ⁽³⁾ 深圳寶又迪科技有限公司	PRC 18 January 2008	HKD 8,000,000	100%	100%	Inactive corporation	HKFRS	Pengsheng PRC GAAP

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Majestic Luck Limited ⁽³⁾	British Virgin Islands 6 September 2011	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Fortune Immigration Services Limited ⁽³⁾	Hong Kong 9 December 2011	HKD1,000	100%	100%	Immigration services	EY	EY
Ever Rapid Limited ⁽³⁾	British Virgin Islands 18 April 2012	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Fortune Investment Limited ⁽³⁾	Hong Kong 4 July 2013	HKD1,000	100%	100%	Investment	EY	EY
China Everbright Property Agency Limited ⁽³⁾	Hong Kong 7 October 2013	HKD1,000	100%	100%	Property agency	HKFRS	HKFRS
Sun Hung Kai Financial Group Limited	British Virgin Islands 14 September 2010	USD 302,217,140	70%	70%	Investment holding	HKFRS	HKFRS
Everbright Fortune International Leasing Co., Ltd.*	PRC 29 September 2014	RMB 1,000,000,000	85%	85%	Finance leasing corporation	EY PRC	EY PRC
光大幸福國際租賃有限公司						PRC GAAP	PRC GAAP
Everbright Sun Hung Kai Company Limited (formerly known as "Sun Hung Kai Financial Limited") ⁽⁴⁾	Hong Kong 27 February 1973	HKD 157,748,221	100%	100%	Investment holding	EY	EY
Everbright Fortune (Shenzhen) Financial Services Co., Ltd.* ⁽³⁾	PRC 23 September 2011	HKD 30,000,000	100%	100%	Advisory services corporation	HKFRS	HKFRS
陽光富尊(深圳)金融服務諮詢有限公司						Bozhong	Bozhong
China Everbright Securities Asset Management Limited ⁽³⁾	Hong Kong 23 September 2011	HKD 10,000,000	100%	100%	Asset management	PRC GAAP	PRC GAAP
						EY	EY
						HKFRS	HKFRS

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Dynamic Force Investments Limited ⁽⁴⁾	British Virgin Islands 8 January 2004	USD1	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Lexshan Nominees Limited ⁽³⁾	Hong Kong 11 August 1978	HKD2	100%	100%	Nominee services	EY HKFRS	EY HKFRS
SHK Absolute Return Managers Ltd. ⁽⁴⁾	Cayman Islands 15 April 2005	USD10	100%	100%	Investment holding Online securities	EY HKFRS	EY HKFRS
SHK Online (Securities) Limited ⁽⁴⁾	Hong Kong 23 December 1975	HKD 40,000,000	100%	100%	broking and margin financing	EY HKFRS	EY HKFRS
SHK Private Limited ⁽⁴⁾	Hong Kong 11 July 1975	HKD100,000	100%	100%	Business marketing and promotion	EY HKFRS	EY HKFRS
EBSHK Risk Solutions Limited (formerly known as "SHK Solutions Limited") ⁽⁴⁾	Hong Kong 6 March 2000	HKD2	100%	100%	Inactive	EY HKFRS	EY HKFRS
Shun Loong Forex Company Limited ⁽⁴⁾	Hong Kong 6 July 1973	HKD 32,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
SHK Alternative Managers Limited ⁽⁴⁾	Cayman Islands 11 January 2006	USD1	100%	100%	Fund management Fund marketing investment advising and fund management	EY HKFRS	EY HKFRS
SHK Fund Management Limited ⁽⁴⁾	Hong Kong 20 January 1989	HKD 106,000,000	100%	100%		EY HKFRS	EY HKFRS
SHK Global Managers Limited ⁽⁴⁾	British Virgin Islands 23 April 2002	USD5,000 HKD	100%	100%	Fund management	EY IFRS	EY IFRS
Shun Loong Holdings Limited ⁽⁴⁾	Hong Kong 1 August 1980	200,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Sun Hung Bullion Company Limited ⁽⁴⁾	Hong Kong 24 November 1992	HKD5,500,000	100%	100%	Bullion trading	EY HKFRS	EY HKFRS

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Sun Hung Kai (Nominees) Limited ⁽⁴⁾	Hong Kong 18 April 1972	HKD200 HKD	100%	100%	Nominee services	EY	EY
Sun Hing Kai Bullion Company Limited ⁽⁴⁾	Hong Kong 12 September 1972	210,000,000	100%	100%	Bullion trading and investment holding	HKFRS	HKFRS
Sun Hung Kai Investment Services Limited ⁽⁴⁾	Hong Kong 4 August 1972	HKD 2,430,000,000	100%	100%	Investment holding securities broking and margin financing	HKFRS	EY
Everbright Sun Hung Kai Structured Solutions Limited ⁽⁴⁾	Hong Kong 21 March 1980	HKD2	100%	100%	Inactive investment advisory services, financial planning and wealth management	HKFRS	HKFRS
Sun Hung Kai Wealth Management Limited ⁽⁴⁾	Hong Kong 21 December 1990	HKD 5,000,000	100%	100%	Financial services	EY	EY
Sun Tai Cheung Finance Company Limited ⁽⁴⁾	Hong Kong 24 December 1976	HKD 25,000,000	100%	100%	Inactive	HKFRS	HKFRS
Sun Yi Company Limited ⁽⁴⁾	Hong Kong 19 November 1982	HKD 15,000,000	100%	100%	Commodities broking	EY	EY
Sun Hung Kai Commodities Limited ⁽⁴⁾	Hong Kong 4 August 1976	HKD 133,300,000	100%	100%	Insurance broking and consultancy services	HKFRS	HKFRS
Sun Hung Kai Insurance Consultants Limited ⁽⁴⁾	Hong Kong 5 July 1988	HKD 21,000,000	100%	100%	Inactive	EY	EY
Sun Hung Kai International Commodities Limited ⁽⁴⁾	Hong Kong 24 March 1972	HKD 25,000,000	100%	100%	Corporate finance services	HKFRS	HKFRS
Sun Hung Kai International Limited ⁽⁴⁾	Hong Kong 3 May 1974	HKD 22,000,000	100%	100%	Insurance agency	EY	EY
Sun Hung Kai Insurance Agency Limited ⁽⁴⁾	Hong Kong 30 October 2014	HKD2,000,001	100%	100%		HKFRS	HKFRS

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Shun Loong Bullion Limited 順隆金業有限公司 ⁽⁴⁾	Hong Kong 7 September 1995	HKD6,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Shun Loong Finance Limited 順隆財務有限公司 ⁽⁴⁾	Hong Kong 7 September 1995	HKD1,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
Grand Securities Company Limited 大唐證券有限公司 ⁽⁴⁾	Hong Kong 20 January 1993	HKD 20,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
High Harvest Investments Limited 崇豐投資有限公司	British Virgin Islands 21 May 2015	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Securities Special Opportunities Assets Limited (formerly known as "China Everbright Sun Hung Kai Financial Company Limited") 中國光大證券特殊機會資產有限公司	Hong Kong 23 June 2015	HKD1	100%	100%	Inactive	N/A	N/A
Everbright Jinhui Investment Management (Shanghai) Co., Ltd.* 光大浸輝投資管理(上海)有限公司	PRC 4 May 2015	RMB 100,000,000	100%	100%	Investment management corporation	N/A	N/A
Everbright Pramerica Assets Management Co., Ltd.* ⁽⁶⁾ 光大保德信資產管理有限公司	PRC 27 August 2015	RMB 250,000,000	100%	100%	Asset management corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Sun Hung Kai Investment Services (Macau) Limited ⁽⁴⁾	Macau 5 February 1991	MOP 48,900,000	100%	100%	Inactive	EY Macau FRS	EY Macau FRS

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Everbright Fortune Evertop Investment Management (Shanghai) Co., Ltd.* 光大富尊泰投資管理(上海)有限公司	PRC 19 November 2015	RMB 10,000,000	85%	85%	Investment management corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
China Everbright Securities International Structured Finance Company Limited 中國光大證券國際結構融資有限公司	Hong Kong 11 April 2016	HKD 10,000,000	100%	100%	Structured finance	EY HKFRS	EY HKFRS
Everbright Capital Return Company Limited ⁽³⁾ 光大資本回報有限公司	Cayman Islands 20 October 2016	USD1	100%	100%	Fund management	N/A	N/A
Everbright Capital Investment Management (Cayman) Limited ⁽³⁾ 光大資本投資管理(開曼)有限公司	Cayman Islands 20 October 2016	USD1	100%	100%	Fund management	N/A	N/A
China Everbright Securities Value Fund SPC 中國光大證券價值基金獨立投資組合公司	Cayman Islands 20 October 2016	USD1	100%	100%	Fund management	N/A	N/A
Everbright Fortune International Commercial Factoring Co., Ltd. 光大幸福國際商業保理有限公司	PRC 3 May 2017	RMB 200,000,000	100%	100%	Trade financing corporation	EY PRC PRC GAAP	EY PRC PRC GAAP
Evershine Development Investment Holdings Limited 光耀發展有限公司	Hong Kong 25 January 2017 Hong Kong 6 November 2017	HKD10,000 HKD1	N/A	N/A	Inactive Company secretary services	N/A EY HKFRS Moore Kingston	N/A EY HKFRS Moore Kingston
EBS Investment Limited Everbright Sun Hung Kai (UK) Company Limited (formerly known as "Sun Hung Kai Financial (UK) Limited") ⁽⁴⁾	UK 16 December 2009	GBP 1,852,282	100%	100%	Brokerage and research services	Smith LLP UK GAAP	Smith LLP UK GAAP

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019
 (All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
Beijing Blue Oak RuiJing Investment Consulting Co., Ltd. ⁽⁴⁾ 北方藍橡瑞景投資諮詢(北京)有限公司	PRC 2 September 2011 British Virgin Islands 23 May 2018 Cayman Islands 20 June 2018	GBP55,000 USD1 USD50,000	100%	100%	Advisory corporation Financing Fund management	Beijing Zhong Sheng Jia Hua PRC GAAP N/A N/A	Beijing Zhong Sheng Jia Hua PRC GAAP N/A N/A
Everbright SHK (BVI) Limited ⁽⁴⁾ Everbright Strategic Select Fund SPC ⁽³⁾ 光大策略精選基金獨立投資組合公司 China Everbright Securities International Principal Investment Company Limited ⁽³⁾ 中國光大證券國際直接投資有限公司 CEBI Principal Investment Company Limited ⁽³⁾	Hong Kong 13 December 2017 British Virgin Islands 18 January 2018 PRC 22 January 2018 PRC 25 January 2018 Cayman Islands 5 June 2018 Hong Kong 23 May 2012	HKD 10,000,000 USD1	100%	100%	Investment holding Investment holding Finance leasing corporation Finance leasing corporation	EY HKFRS N/A N/A N/A	EY HKFRS N/A N/A N/A
Guanghang No.1 Leasing Co., Ltd. 光航一號(天津)租賃有限公司 Guanghang No.2 Leasing Co., Ltd. 光航二號(天津)租賃有限公司		RMB100,000 RMB100,000 USD 50,000	100%	100%	Inactive Money lending	N/A N/A EY HKFRS	N/A N/A EY HKFRS
Horizon Asset Management Co., Ltd. ⁽³⁾ China Everbright Securities Finance Limited ⁽³⁾⁽⁷⁾		N/A	-	100%			

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities/ Kind of legal entity	Auditor ⁽²⁾ and GAAP	
			2019	2018		2019	2018
SHK Alpha Managers Ltd. ⁽⁴⁾⁽⁵⁾	Cayman Islands 14 February 2007	N/A	-	100%	Fund management	EY HKFRS	EY HKFRS
SHK Dynamic Managers Ltd. ⁽⁴⁾⁽⁵⁾	Cayman Islands 30 March 2006	N/A	-	100%	Fund management	EY HKFRS	EY HKFRS
SHK Income Fund Manager ⁽⁴⁾⁽⁵⁾	Cayman Islands 23 October 2008	N/A	-	100%	Investment holding	EY HKFRS	EY HKFRS
SHK Arbitrage Opportunities Limited ⁽⁴⁾⁽⁵⁾	Hong Kong 2 May 1975	N/A	-	100%	Securities, futures and option trading	EY HKFRS	EY HKFRS
SHK Quant Managers Ltd. ⁽⁴⁾⁽⁵⁾	Cayman Islands 15 April 2005	N/A	-	100%	Fund management	EY HKFRS	EY HKFRS
Shun Loong Futures Limited ⁽⁴⁾⁽⁵⁾	Hong Kong 16 August 1977	N/A	-	100%	Inactive	EY HKFRS	EY HKFRS
Sun Hung Kai Financial Australia Pty Ltd. ⁽⁴⁾⁽⁵⁾	Australia 18 January 2010	N/A	-	100%	Investment advisory services	Deloitte Australia FRS	Deloitte Australia FRS
Double Charm Limited ⁽⁵⁾ 倍昌有限公司	British Virgin Islands 8 January 2015	N/A	-	100%	Inactive	N/A	N/A
Planup Limited ⁽⁵⁾ 圖升有限公司	British Virgin Islands 12 January 2015	N/A	-	100%	Inactive	N/A	N/A
China Everbright Securities B&R Fund GP Limited ⁽⁵⁾	Cayman Islands 21 June 2017	N/A	-	100%	Inactive	N/A	N/A
Everbright Securities Fund Management Limited ⁽⁵⁾	Cayman Islands 28 March 2017	N/A	-	100%	Fund management	N/A	N/A

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

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

The Group acted as principal of several structured entities during the reporting period, according to relevant accounting policies of the Group, and details of these structured entities are included in the financial statements. More detailed information of consolidated structured entities is disclosed in note 26.

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

- EY PRC represents Ernst & Young Hua Ming LLP, a firm of certified public accountants registered in the PRC;
- EY represents Ernst & Young, Hong Kong, a firm of certified public accountants registered in Hong Kong;
- Bozhong represents Shenzhen Bozhong Certified Public Accountants, a firm of certified public accountants registered in the PRC;
- Pengsheng represents Shenzhen Pengsheng Certified Public Accountants, a firm of certified public accountants registered in the PRC;
- Fangyuan represents Fangyuan Certified Public Accountants, a firm of certified public accountants registered in the PRC;
- Deloitte Australia represents Deloitte in Australia, a firm of certified public accountants registered in Australia;
- PRC GAAP represents the PRC Accounting Standards for Business Enterprises;
- HKFRS represents Hong Kong Financial Reporting Standards;
- Moore Kingston Smith LLP represents a firm of certified public accountants registered in UK;
- UK GAAP represents the United Kingdom Accounting Standards for Business Enterprises;
- Macau FRS represents Macau Financial Reporting Standards;
- Beijing Zhong Sheng Jia Hua represents Beijing Zhong Sheng Jia Hua Certified Public Accountants, a firm of certified public accountants registered in the PRC.

(3) The equity interest in the subsidiary represents the equity interest held directly or indirectly by Everbright Securities (International) Limited.

(4) The equity interest in the subsidiary represents the equity interest held directly or indirectly by Sun Hung Kai Financial Group Limited.

(5) The subsidiary was disposed of in 2019.

(6) The equity interest in the subsidiary represents the equity interest held directly or indirectly by Everbright Pramerica Fund Management Co., Ltd.

(7) The subsidiary was dissolved in 2019.

(All amounts expressed in RMB thousand unless otherwise specified)

25. INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the information related to major subsidiaries of the Group which have material non-controlling interests (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination.

Everbright Pramerica Fund Management Co., Ltd.

	31 December 2019	31 December 2018
NCI percentage	45%	45%
Assets	1,322,889	1,179,715
Liabilities	(227,244)	(156,065)
Net assets	1,095,645	1,023,650
Carrying amount of NCI	493,040	460,643
	<u>2019</u>	<u>2018</u>
Revenue	560,867	631,390
Profit for the year	149,406	174,126
Other comprehensive income	-	-
Total comprehensive income	149,406	174,126
Total comprehensive income attributable to NCI	67,233	78,357
Dividend paid to NCI	(34,835)	-
Cash flows from operating activities	120,670	165,762
Cash flows used in investing activities	(75,399)	(31,457)
Cash flows used in financing activities	(60,124)	(105,855)

Sun Hung Kai Financial Group Limited

	31 December 2019	31 December 2018
NCI percentage	30%	30%
Assets	18,457,229	19,943,764
Liabilities	(15,450,623)	(16,898,437)
Net assets	3,006,606	3,045,327
Carrying amount of NCI	901,982	913,598
	<u>2019</u>	<u>2018</u>
Revenue	1,519,601	1,192,405
Profit for the year	183,903	169,733
Other comprehensive income	66,133	128,516
Total comprehensive income	250,036	298,249
Total comprehensive income attributable to NCI	75,011	89,475
Dividend paid to NCI	(86,627)	(61,959)
Cash flows from operating activities	2,428,911	162,674
Cash flows used in investing activities	(42,008)	(9,478)
Cash flows (used in)/from financing activities	(2,687,460)	208,240

(All amounts expressed in RMB thousand unless otherwise specified)

26. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

The Group has consolidated certain structured entities, mainly investments in wealth management products. For those structured entities where the Group is involved as manager or as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that is of such significance that it indicates that the Group is a principal.

As at 31 December 2019 and 2018, the net assets of the consolidated wealth management products were RMB9,821,298 thousand and RMB18,976,797 thousand respectively, and the carrying amounts of interests held by the Group in the consolidated structured entities were RMB7,593,152 thousand and RMB12,865,948 thousand respectively.

Interests held by other investors in these consolidated structured entities were classified as net investment gains, interest income, or interest expenses in the consolidated statement of profit or loss, and 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 decided whether the Group is still a principal.

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

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

The carrying amount of the related accounts in the consolidated 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, and their respective carrying amounts are listed below:

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

26. INTERESTS IN STRUCTURED ENTITIES (continued)

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

	31 December 2019		
	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	-	13,469,078	13,469,078
Wealth management products	4,491,547	22,317,006	26,808,553
Total	4,491,547	35,786,084	40,277,631
	31 December 2018		
	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	-	12,752,328	12,752,328
Wealth management products	4,278,226	14,431,640	18,709,866
Total	4,278,226	27,183,968	31,462,194

(All amounts expressed in RMB thousand unless otherwise specified)

26. INTERESTS IN STRUCTURED ENTITIES (continued)

(c) Structured entities sponsored by the Group and not consolidated by the Group

The types of structured entities sponsored by the Group and not consolidated by the Group 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, and their respective carrying amounts are listed below:

	31 December 2019
	Financial assets at fair value through profit or loss
Funds	427,498
Wealth management products	1,448,392
	<hr/>
Total	1,875,890
	<hr/> <hr/>
	31 December 2018
	Financial assets at fair value through profit or loss
Funds	228,770
Wealth management products	1,524,791
	<hr/>
Total	1,753,561
	<hr/> <hr/>

As at 31 December 2019 and 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 RMB327,087,379 thousand and RMB393,585,565 thousand respectively. During the years ended 31 December 2019 and 2018, the Group recognised the income from wealth management business of RMB1,707,467 thousand and RMB1,270,600 thousand respectively. As at 31 December 2019 and 2018, the corresponding remuneration receivables totalled RMB128,528 thousand and RMB116,171 thousand respectively.

27. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2019	31 December 2018
Share of net assets	1,039,416	1,096,310
	<hr/>	<hr/>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

27. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2019	31 December 2018	
Dacheng Fund Management Co., Ltd.* 大成基金管理有限公司	Shenzhen	RMB 200,000,000	25.00%	25.00%	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	40.00%	40.00%	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	40.00%	40.00%	Financial data processing
Everbright Ivy Investment Management (Shanghai) Co., Ltd.* ⁽¹⁾ 光大常春藤投資管理(上海)有限公司	Shanghai	RMB 10,000,000	51.00%	51.00%	Investment management
Everbright LeadBank Assets Management (Shanghai) Co., Ltd.* ⁽¹⁾⁽⁶⁾ 光大利得資產管理(上海)有限公司	Shanghai	RMB 10,000,000	95.00%	95.00%	Investment management
Everbright Ivy (Shanghai) Investment Center (limited partnership)* ⁽³⁾ 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 ⁽¹⁾ 新鴻基外匯有限公司	Hong Kong	HKD 75,166,707	51.00%	51.00%	Foreign exchange dealing
Tribridge Capital Management (Cayman) Limited	Cayman Islands	USD 1,001	20.13%	20.13%	Fund management

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

27. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2019	31 December 2018	
Jiaxing Everbright BoPu Investment LLP (Limited Partnership)* ⁽³⁾ 嘉興光大磚璞投資合夥企業(有限合夥)	Jiaxing	RMB 100,000,000	24.90%	24.90%	Investment management
EBS Fund Management Co., Ltd.* ⁽¹⁾ 上海光大證券股權投資基金管理有限公司	Shanghai	RMB 20,000,000	75.50%	75.50%	Investment management
Jiaxing Everbright Meiyin Investment Management Co., Ltd.* ⁽¹⁾ 嘉興光大美銀投資管理有限公司	Jiaxing	RMB 2,000,000	51.00%	51.00%	Investment management
Jiaxing Everbright Meiyin No. 1 Investment LLP* ⁽³⁾ 嘉興光大美銀壹號投資合夥企業	Jiaxing	RMB 100,000,000	25.00%	25.00%	Investment management
Shenzhen Qianhai Tunlan Investment Co., Ltd.* ⁽⁴⁾ 深圳前海光大瞰瀾投資管理有限公司	Shenzhen	RMB 5,000,000	-	51.00%	Investment management
Hangzhou Everbright Tunlan Investment LLP* ⁽³⁾ 杭州光大瞰瀾投資合夥企業(有限合夥)	Hangzhou	RMB 106,000,000	47.65%	47.17%	Investment management
Beijing Wenzhi Guangda Cultural and Creative Industries Investment Management Co., Ltd.* ⁽⁴⁾ 北京文質光大文創產業投資管理有限公司	Beijing	RMB 5,000,000	-	66.00%	Investment management
Shanghai Everbright Fortune Jingsheng Investment Center (Limited Partnership)* ⁽⁴⁾ 上海光大富尊璟晟投資中心(有限合夥)	Shanghai	RMB 63,700,000	-	16.80%	Investment management
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership)* ⁽²⁾ 上海光大富尊璟天投資中心(有限合夥)	Shanghai	RMB 52,350,000	0.20%	0.20%	Investment management
CRECG & EB Private Equity Fund Management (Shanghai) Co., Limited* 中鐵光大股權投資基金管理(上海)有限公司	Shanghai	RMB 50,000,000	30.00%	50.00%	Investment management

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

27. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2019	31 December 2018	
Xinglu Dingtai Big Data Equity Investment Fund L.P.* ⁽²⁾ 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	14.97%	28.52%	Investment management
Beijing Everbright Wudaokou Investment Fund Management Co., Ltd 北京光大五道口投資基金管理有限公司	Beijing	RMB 10,000,000	-	51.00%	Investment management
Shanghai JinXin Investment Consultancy LLP (Limited Partnership) ⁽²⁾⁽³⁾⁽⁵⁾ 上海浸鑫投資諮詢合夥企業(有限合夥)	Shanghai	RMB 5,203,000,000	1.15%	1.15%	Fund management
Beijing BCID-EBS Cultural & Innovation No.2 Investment Fund (Limited Partnership) ⁽¹⁾⁽³⁾ 北京文資光大文創貳號投資基金管理中心(有限合夥)	Beijing	RMB 97,550,000	99.90%	99.90%	Fund management
Jingning Everbright Zhetong No.1 Investment Fund L.P.* ⁽²⁾ 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
Jingning-Everbright ECO Investment Fund L.P.* ⁽²⁾ 景甯光大生態壹號投資管理合夥企業(有限合夥)	Lishui	RMB 55,500,000	9.01%	9.01%	Fund management
Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd ⁽¹⁾ 景甯侖族自治縣光大生態經濟產業基金管理有限公司	Lishui	RMB 20,000,000	51.00%	51.00%	Investment management

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

27. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2019	31 December 2018	
Gansu Duzhe Everbright Fund Management Co., Ltd. * (1) 甘肅讀者光大基金管理有限公司	Lanzhou	RMB 5,000,000	51.00%	51.00%	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 Zhongli Investment Management Co., Ltd. 天津光證中麗投資管理有限公司	Tianjin	RMB 20,000,000	30.00%	30.00%	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	40.00%	40.00%	Investment management
Jiaying Zizhuo Private Equity Investment Fund L.P.* (2)(3) 嘉興資卓股權投資基金合夥企業(有限合夥)	Jiaying	RMB 360,020,000	12.49%	12.49%	Fund management
Gansu Reader Everbright Emerging Industry M&A Fund(2) 甘肅讀者光大新興產業並購基金(有限合夥)	Lanzhou	RMB 500,000,000	19.87%	19.87%	Fund management
Beijing Everbright 360 Investment Management Center(2) 北京光大三六零投資管理中心(有限合夥)	Beijing	RMB 632,800,000	0.05%	0.07%	Investment management
Renqiu Jiying Equity Investment Fund (2) 任丘市冀銀股權投資基金合夥企業	Renqiu	RMB 480,000,000	0.03%	0.03%	Investment management
Hohhot Haotian Construction Co., Ltd. (2) 呼和浩特市昕天環建設有限公司	Hohhot	RMB 100,000,000	1.00%	1.00%	Investment management
Gui'an Everbright Securities Investment Management Co., Ltd. 貴安新區光證投資管理有限公司	Guiyang	RMB 10,000,000	30.00%	30.00%	Investment management
Zhongnengjian Fund Management Co., Ltd. * 中能建基金管理有限公司	Beijing	RMB 50,000,000	30.00%	-	Investment management

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

(All amounts expressed in RMB thousand unless otherwise specified)

27. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

- (1) The Group's shareholding of these investees is higher than 50%, however these investees are jointly controlled by the Group and other investors as a result of the relevant arrangements stipulated in the Articles of Association and other corporate governance documents.
- (2) The Group's shareholding of these investees is lower than 20%, however these investees are jointly controlled by the Group and other investors as a result of the relevant arrangements stipulated in the Articles of Association and other corporate governance documents.
- (3) As at 31 December 2019, the Group's shareholding of these investees has been restricted by the judicial department. Please refer to note 14(b) for details.
- (4) As at 31 December 2019, these entities have been dissolved.
- (5) The investment in Jinxin Fund expired on 25 February 2019. Please refer to note 14(b) for details.
- (6) As at 31 December 2019, the entity's registered capital was RMB2,000,000. On 6 March 2019, the registered capital was increased to RMB10,000,000.

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

Dacheng Fund Management Co., Ltd.

	31 December 2019	31 December 2018
Gross amounts of the associate:		
Assets	3,627,169	3,295,234
Liabilities	(1,261,708)	(1,047,494)
Net assets	<u>2,365,461</u>	<u>2,247,740</u>
	2019	2018
Revenue	1,082,416	1,009,674
Profit for the year	245,581	231,692
Other comprehensive income	34,761	5,936
Total comprehensive income	280,342	237,628
Dividend received from the associate	<u>36,750</u>	<u>32,000</u>
	31 December 2019	31 December 2018
Reconciled to the Group's interest in the associate:		
Net assets	2,365,461	2,247,740
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	591,365	561,935
Other adjustment	<u>-</u>	<u>(3,905)</u>
Carrying amount in the consolidated financial statements	<u><u>591,365</u></u>	<u><u>558,030</u></u>

(All amounts expressed in RMB thousand unless otherwise specified)

27. 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:

	<u>2019</u>	<u>2018</u>
Aggregate amounts of the Group's share of those associates and joint ventures' net profits	<u>14,092</u>	<u>13,250</u>
Total comprehensive income	<u>14,092</u>	<u>13,250</u>
	<u>31 December 2019</u>	<u>31 December 2018</u>
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	<u>448,051</u>	<u>538,280</u>

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>31 December 2019</u>	<u>31 December 2018</u>
Non-current		
Debt securities	<u>8,875,024</u>	<u>7,945,473</u>
Total	<u>8,875,024</u>	<u>7,945,473</u>
Analysed as:		
Listed outside Hong Kong	612,430	635,397
Unlisted	<u>8,262,594</u>	<u>7,310,076</u>
Total	<u>8,875,024</u>	<u>7,945,473</u>
Current		
Debt securities	<u>3,677,843</u>	<u>453,406</u>
Total	<u>3,677,843</u>	<u>453,406</u>
Analysed as:		
Listed outside Hong Kong	20,577	14,546
Unlisted	<u>3,657,266</u>	<u>438,860</u>
Total	<u>3,677,843</u>	<u>453,406</u>

As at 31 December 2019, the debt instruments at fair value through other comprehensive income which were pledged as collateral were RMB5,100,306 thousand (as at 31 December 2018: RMB1,595,345 thousand).

(All amounts expressed in RMB thousand unless otherwise specified)

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
 (continued)

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

	2019	2018
At the beginning of this year	84,750	-
Impact of adopting IFRS 9	-	27,838
Charge for the year	152,089	69,613
Amounts written off	(28,399)	(12,701)
At the end of the year	<u>208,440</u>	<u>84,750</u>

(b) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
31 December 2019	<u>6,570</u>	<u>47,622</u>	<u>154,248</u>	<u>208,440</u>
	Stage 1	Stage 2	Stage 3	Total
31 December 2018	<u>5,511</u>	<u>3,468</u>	<u>75,771</u>	<u>84,750</u>

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019	31 December 2018
Non-current		
Equity securities	580,975	569,789
Contribution to designated accounts at China Securities Finance Corporation Limited	<u>4,491,547</u>	<u>4,278,226</u>
Total	<u>5,072,522</u>	<u>4,848,015</u>
Analysed as:		
Unlisted	<u>5,072,522</u>	<u>4,848,015</u>
Total	<u>5,072,522</u>	<u>4,848,015</u>

As at 31 December 2019, the non-current equity instruments 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") and have been classified as equity instruments at fair value through other comprehensive income since 1 January 2018. As at 31 December 2019, the cost and fair value of the Company's contribution were RMB4,380 million and RMB4,492 million based on the investment account statement provided by CSFC.

For the year ended 31 December 2019, the Group disposed of some of the equity instruments at fair value through other comprehensive income as a result of an adjustment in its investment strategy. The carrying amount and the accumulated net realised gains of the equity instruments disposed of were RMB23,337 thousand and RMB21,359 thousand, respectively.

In the opinion of the directors of the Company, 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

Non-current	<u>31 December 2019</u>	<u>31 December 2018</u>
Equity securities	585,075	3,574,474
Less: Allowance for ECLs	<u>(235)</u>	<u>(20,196)</u>
Total	<u>584,840</u>	<u>3,554,278</u>
Current	<u>31 December 2019</u>	<u>31 December 2018</u>
Debt securities	3,244,388	13,156,490
Equity securities	5,731,797	17,404,931
Less: Allowance for ECLs	<u>(1,275,218)</u>	<u>(406,911)</u>
Total	<u>7,700,967</u>	<u>30,154,510</u>

(b) Analysed by market:

Non-current	<u>31 December 2019</u>	<u>31 December 2018</u>
Shenzhen Stock Exchange	387,926	2,268,152
Shanghai Stock Exchange	197,149	1,306,322
Less: Allowance for ECLs	<u>(235)</u>	<u>(20,196)</u>
Total	<u>584,840</u>	<u>3,554,278</u>
Current	<u>31 December 2019</u>	<u>31 December 2018</u>
Inter-bank market	3,044,088	2,051,715
Shenzhen Stock Exchange	3,261,466	12,744,889
Shanghai Stock Exchange	2,670,631	15,764,817
Less: Allowance for ECLs	<u>(1,275,218)</u>	<u>(406,911)</u>
Total	<u>7,700,967</u>	<u>30,154,510</u>

(All amounts expressed in RMB thousand unless otherwise specified)

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

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

	<u>2019</u>	<u>2018</u>
At the beginning of the year	427,107	-
Impact of adopting IFRS 9	-	29,258
Charge for the year	935,612	397,849
Reversal for the year	<u>(87,266)</u>	<u>-</u>
At the end of the year	<u>1,275,453</u>	<u>427,107</u>

(d) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
31 December 2019	<u>5,653</u>	<u>7,542</u>	<u>1,262,258</u>	<u>1,275,453</u>
	Stage 1	Stage 2	Stage 3	Total
31 December 2018	<u>22,441</u>	<u>68,182</u>	<u>336,484</u>	<u>427,107</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

31. REFUNDABLE DEPOSITS

	<u>31 December 2019</u>	<u>31 December 2018</u>
Deposits with stock exchanges and clearing house		
- China Securities Depository and Clearing Corporation Limited	170,643	339,645
- Hong Kong Securities Clearing Company Limited	461,234	10,488
- The Stock Exchange of Hong Kong Limited	17,202	3,200
	<u>649,079</u>	<u>353,333</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	1,139,430	653,016
- Shanghai Futures Exchange	894,275	562,646
- Dalian Commodity Exchange	715,227	522,405
- Zhengzhou Commodity Exchange	606,373	453,171
- Shanghai International Energy Exchange	81,495	67,952
- Hong Kong Futures Exchange	8,062	7,886
	<u>3,444,862</u>	<u>2,267,076</u>
Deposits with other institutions		
- CSFC	268,118	477,915
- Shanghai Clearing House	45,019	69,807
- Securities and Futures Commission of Hong Kong	1,792	-
- Shanghai Gold Exchange	2,920	2,820
- Other institutions	3,738	15,857
	<u>321,587</u>	<u>566,399</u>
Total	<u>4,415,528</u>	<u>3,186,808</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

32. INCOME TAX

(a) Current taxation

	<u>31 December 2019</u>	<u>31 December 2018</u>
Current tax liabilities	<u>653,972</u>	<u>403,306</u>
	<u>2019</u>	<u>2018</u>
At the beginning of the year	403,306	800,644
Provision for the year	945,205	602,363
Increase/(decrease) through the sale of equity instruments at fair value through other comprehensive income	5,340	(521)
Tax paid	<u>(699,879)</u>	<u>(999,180)</u>
At the end of the year	<u>653,972</u>	<u>403,306</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

32. 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/ Impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Financial assets at fair value through other comprehensive income	Intangible assets recognised on acquisition	Others	Total
As at 1 January 2018	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 31 December 2018	590,758	152,651	343,041	4,095	48,240	(42,388)	37,215	1,133,612
Recognised in profit or loss	938,995	(2,018)	(517,643)	(1,951)	-	21,662	(18,606)	420,439
Recognised in reserves	(30,919)	-	-	-	(33,437)	-	-	(64,356)
As at 31 December 2019	1,498,834	150,633	(174,602)	2,144	14,803	(20,726)	18,609	1,489,695

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

32. INCOME TAX (continued)

(c) Reconciliation to the statement of financial position

	<u>31 December 2019</u>	<u>31 December 2018</u>
Net deferred tax assets recognised in the consolidated statement of financial position	1,618,157	1,235,048
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(128,462)</u>	<u>(101,436)</u>
Total	<u><u>1,489,695</u></u>	<u><u>1,133,612</u></u>

(d) Recognised in other comprehensive income

	<u>2019</u>		
	<u>Before tax</u>	<u>Tax benefit</u>	<u>Net of tax</u>
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	10,743	(2,658)	8,085
- Provision for ECL allowance	123,690	(30,919)	92,771
- Reclassified to profit or loss	(44,870)	11,218	(33,652)
Equity instruments at fair value through other comprehensive income			
- Revaluation gains on equity instruments at fair value through other comprehensive income	189,347	(47,337)	142,010
Share of other comprehensive income of associates	8,690	-	8,690
Exchange differences on translation of financial statements in foreign currencies	40,790	-	40,790
Total	<u><u>328,390</u></u>	<u><u>(69,696)</u></u>	<u><u>258,694</u></u>

	<u>2018</u>		
	<u>Before tax</u>	<u>Tax benefit</u>	<u>Net of tax</u>
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	301,997	(75,363)	226,634
- Provision for ECL allowance	56,912	(14,258)	42,654
- Reclassified to profit or loss	(274,534)	68,634	(205,900)
Equity instruments at fair value through other comprehensive income			
- Revaluation losses on equity instruments at fair value through other comprehensive income	(751,888)	187,972	(563,916)
Share of other comprehensive income of associates	1,484	-	1,484
Exchange differences on translation of financial statements in foreign currencies	71,595	-	71,595
Total	<u><u>(594,434)</u></u>	<u><u>166,985</u></u>	<u><u>(427,449)</u></u>

(All amounts expressed in RMB thousand unless otherwise specified)

32. INCOME TAX (continued)

(e) Deferred tax assets not recognised

As at 31 December 2019 and 2018, the Group has not recognised deferred tax assets in respect of cumulative tax losses, provision for bad debts and credit losses against margin and financial assets measured at amortized cost with temporary differences amounting to RMB1,807,565 thousand and RMB705,680 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.

33. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	31 December 2019	31 December 2018
Minimum lease payments to be received	3,584,832	5,916,342
Less: Unrealised finance income	(255,257)	(522,737)
Balance of finance lease receivables	3,329,575	5,393,605
Less: Allowance for ECLs	(86,601)	(96,775)
Finance lease receivables, net	<u>3,242,974</u>	<u>5,296,830</u>
Analysis for presentation purposes:		
Current assets	1,644,785	1,934,578
Non-current assets	1,598,189	3,362,252
	<u>3,242,974</u>	<u>5,296,830</u>

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

	As at 31 December 2019		As at 31 December 2018	
	Minimum leases	Present value	Minimum leases	Present value
Within 1 year	1,820,137	1,658,291	2,223,666	1,969,985
1–2 years	1,194,411	1,125,769	1,881,360	1,729,656
2–3 years	504,189	484,690	1,241,031	1,164,971
Over 3 years	66,095	60,825	570,285	528,993
Total	<u>3,584,832</u>	<u>3,329,575</u>	<u>5,916,342</u>	<u>5,393,605</u>
Unrealised finance income	<u>(255,257)</u>	-	<u>(522,737)</u>	-
Balance of finance lease receivables	3,329,575	3,329,575	5,393,605	5,393,605
Allowance for ECLs	<u>(86,601)</u>	<u>(86,601)</u>	<u>(96,775)</u>	<u>(96,775)</u>
Finance lease receivables, net	<u>3,242,974</u>	<u>3,242,974</u>	<u>5,296,830</u>	<u>5,296,830</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

33. FINANCE LEASE RECEIVABLES (continued)

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

	<u>2019</u>	<u>2018</u>
At the beginning of the year	96,775	94,379
Charge for the year	12,353	33,007
Reversal of impairment	(21,833)	(27,123)
Amounts written off	<u>(694)</u>	<u>(3,488)</u>
At the end of the year	<u>86,601</u>	<u>96,775</u>

(c) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
31 December 2019	<u>9,968</u>	<u>47,743</u>	<u>28,890</u>	<u>86,601</u>
	Stage 1	Stage 2	Stage 3	Total
31 December 2018	<u>39,226</u>	<u>57,549</u>	<u>-</u>	<u>96,775</u>

34. LONG TERM RECEIVABLES ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS

(a) Analysed by nature:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Minimum lease payments to be received	503,439	-
Less: Unrealised finance income	<u>(42,788)</u>	<u>-</u>
Balance of finance lease receivables	460,651	-
Less: Allowance for ECLs	<u>(6,596)</u>	<u>-</u>
Finance lease receivables, net	<u>454,055</u>	<u>-</u>
Analysis for presentation purposes:		
Current assets	199,676	-
Non-current assets	<u>254,379</u>	<u>-</u>
Total	<u>454,055</u>	<u>-</u>

(All amounts expressed in RMB thousand unless otherwise specified)

34. LONG TERM RECEIVABLES 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:

	31 December 2019		31 December 2018	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Within 1 year	225,030	199,676	-	-
1 to 2 years	177,526	164,887	-	-
2 to 3 years	77,402	73,765	-	-
Over 3 years	23,481	22,323	-	-
Total	503,439	460,651	-	-
Unrealised finance income	(42,788)	-	-	-
Balance of finance lease receivables	460,651	460,651	-	-
Allowance for ECLs	(6,596)	(6,596)	-	-
Finance lease receivables, net	454,055	454,055	-	-

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

	2019	2018
At the beginning of the year	-	-
Charge for the year	6,596	-
At the end of the year	6,596	-

(c) Analysed by stages of ECLs :

	Stage 1	Stage 2	Stage 3	Total
31 December 2019	4,911	-	1,685	6,596

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

35. OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	31 December 2019	31 December 2018
Long-term deferred expenses	100,418	92,109
Deposits	36,494	32,712
Other receivables	31,943	108,798
Less: Allowance for ECLs	-	(80,390)
Total	<u>168,855</u>	<u>153,229</u>

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

	2019	2018
At the beginning of the year	80,390	80,390
Impact of adopting IFRS 9	-	-
Charge for the year	-	-
Others	(80,390)	-
At the end of the year	<u>-</u>	<u>80,390</u>

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

	2019	2018
Balance at the beginning of the year	92,109	101,817
Additions	29,600	37,533
Transfer in from property and equipment	28,032	1,161
Amortisation	(49,323)	(48,402)
Balance at the end of the year	<u>100,418</u>	<u>92,109</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

36. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	31 December 2019	31 December 2018
Accounts receivable of		
- Brokers and dealers	1,719,397	2,040,380
- Settlement	1,088,472	864,309
- Fees and commissions	307,651	316,840
- Investees	21,735	21,735
- Others	13,213	16,903
Less: Allowance for ECLs	(72,596)	(49,055)
Total	<u>3,077,872</u>	<u>3,211,112</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:

	31 December 2019	31 December 2018
Within 1 year	2,637,817	3,187,624
1-2 years	439,073	23,132
2-3 years	901	280
Over 3 years	81	76
Total	<u>3,077,872</u>	<u>3,211,112</u>

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

	2019	2018
At the beginning of the year	49,055	-
Charge for the year	26,873	49,055
Reversal of impairment	(3,027)	-
Others	(305)	-
At the end of the year	<u>72,596</u>	<u>49,055</u>

(d) Accounts receivable that were 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.

(All amounts expressed in RMB thousand unless otherwise specified)

37. OTHER RECEIVABLES AND PREPARMENTS

(a) Analysed by nature:

	31 December 2019	31 December 2018
Other receivables ⁽¹⁾	1,464,593	1,553,655
Dividend receivables	229,514	159,544
Factoring receivables	63,098	613,587
Interest receivable	42,853	108,037
Prepayments ⁽¹⁾	2,475	2,402
Others	159,597	187,250
Less: Allowance for ECLs	<u>(152,413)</u>	<u>(28,126)</u>
Total	<u>1,809,717</u>	<u>2,596,349</u>

⁽¹⁾ The balance of other receivables and prepayments mainly represents receivables from the securities and futures 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:

	2019	2018
At the beginning of the year	28,126	92,460
Impact of adopting IFRS 9	-	1,277
Charge for the year	45,178	26,785
Reversal of impairment	(1,369)	(12,004)
Others	<u>80,478</u>	<u>(80,392)</u>
At the end of the year	<u>152,413</u>	<u>28,126</u>

38. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	31 December 2019	31 December 2018
Individuals	28,107,629	23,945,830
Institutions	6,259,742	6,650,957
Less: Allowance for ECLs	<u>(248,712)</u>	<u>(258,859)</u>
Total	<u>34,118,659</u>	<u>30,337,928</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

38. MARGIN ACCOUNTS RECEIVABLE (continued)

(b) Analysis of the movements of credit loss expense:

	<u>2019</u>	<u>2018</u>
At the beginning of the year	258,859	304,742
Charge for the year	45,974	23,653
Reversal of impairment	(53,587)	(5,126)
Amounts written off	-	(70,724)
Others	(2,534)	6,314
	<u>248,712</u>	<u>258,859</u>
At the end of the year	<u>248,712</u>	<u>258,859</u>

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Fair value of collateral:		
- Equity securities	98,314,942	87,245,315
- Cash	3,890,060	2,776,941
- Debt securities	3,501,979	5,119,029
- Funds	1,825,203	1,499,328
- Others	554,308	365
	<u>108,086,492</u>	<u>96,640,978</u>
Total	<u>108,086,492</u>	<u>96,640,978</u>

(d) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
31 December 2019	<u>31,968</u>	<u>654</u>	<u>216,090</u>	<u>248,712</u>
	Stage 1	Stage 2	Stage 3	Total
31 December 2018	<u>54,548</u>	<u>8,738</u>	<u>195,573</u>	<u>258,859</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

39. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	31 December 2019	31 December 2018
Non-current		
Debt securities	5,930,995	7,638,034
Others	189,634	-
Less: Allowance for ECLs	(351,785)	(32,023)
Total	<u>5,768,844</u>	<u>7,606,011</u>
Analysed as:		
Listed inside Hong Kong	199,641	-
Listed outside Hong Kong	138,924	227,209
Unlisted	5,430,279	7,378,802
Total	<u>5,768,844</u>	<u>7,606,011</u>
	31 December 2019	31 December 2018
Current		
Debt securities	1,438,374	403,274
Less: Allowance for ECLs	(1,352)	(106,404)
Total	<u>1,437,022</u>	<u>296,870</u>
Analysed as:		
Listed outside Hong Kong	-	133,803
Unlisted	1,437,022	163,067
Total	<u>1,437,022</u>	<u>296,870</u>

As at 31 December 2019, the financial assets measured at amortized cost which were pledged as collateral were RMB2,562,962 thousand (as at 31 December 2018: RMB2,909,326 thousand).

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

	2019	2018
At the beginning of the year	138,427	12,334
Charge for the year	288,990	123,083
Reversal for the year	(74,014)	-
Amounts written off	(712)	(704)
Others	446	3,714
At the end of the year	<u>353,137</u>	<u>138,427</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

39. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (continued)

(b) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
31 December 2019	<u>5,789</u>	<u>35,875</u>	<u>311,473</u>	<u>353,137</u>
	Stage 1	Stage 2	Stage 3	Total
31 December 2018	<u>6,369</u>	<u>2,526</u>	<u>129,532</u>	<u>138,427</u>

40. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

	31 December 2019	31 December 2018
Held for trading:		
- Debt securities	24,834,024	24,232,448
- Wealth management products	21,367,948	3,654,842
- Funds	13,896,575	11,999,703
- Equity securities	2,907,597	13,895,148
- Others	<u>2,397,450</u>	<u>3,867,197</u>
Total	<u>65,403,594</u>	<u>57,649,338</u>

(b) Analysed as:

	31 December 2019	31 December 2018
Held for trading:		
- Listed outside Hong Kong	10,982,417	4,614,775
- Listed inside Hong Kong	158,903	168,129
- Unlisted	<u>54,262,274</u>	<u>52,866,434</u>
Total	<u>65,403,594</u>	<u>57,649,338</u>

(All amounts expressed in RMB thousand unless otherwise specified)

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

As at 31 December 2019 and 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 RMB51,729 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 38(c) together with the fair value of collateral of margin financing business.

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

As at 31 December 2019, there was 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.

As at 31 December 2019, financial assets at fair value through profit or loss of the Group included RMB16,809,428 thousand which is pledged, restricted or frozen.

(All amounts expressed in RMB thousand unless otherwise specified)

41. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	17,240,000	-	(4,057)
- Treasury bond futures	504,171	22	(61)
Equity derivatives			
- Stock index futures	215,508	-	(4,482)
- Stock option	1,833	19	(42)
- OTC stock index options	1,355,639	3,279	(99,327)
Others			
- Commodity option	336,795	5,941	(4,308)
Total	19,653,946	9,261	(112,277)
Less: Cash (received)/paid as settlement		(22)	8,600
Net position		9,239	(103,677)
	31 December 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	24,520,000	-	(7,370)
- Treasury bond futures	578,443	-	(10,172)
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	-	(64)
Total	32,728,735	27,700	(510,366)
Less: Cash (received)/paid as settlement		(980)	17,542
Net position		26,720	(492,824)

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".

(All amounts expressed in RMB thousand unless otherwise specified)

42. CLEARING SETTLEMENT FUNDS

	31 December 2019	31 December 2018
Deposits with		
- China Securities Depository and Clearing Corporation Limited	163,332	118,519
- Others	1,559,686	1,356,900
Total	<u>1,723,018</u>	<u>1,475,419</u>

43. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies.

In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by the 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.

44. CASH AND BANK BALANCES

	31 December 2019	31 December 2018
Cash on hand	140	128
Bank balances	11,039,732	8,927,409
Total	<u>11,039,872</u>	<u>8,927,537</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

45. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	140	128
Bank balances	11,039,732	8,927,409
Clearing settlement funds	1,723,018	1,475,419
Less: Restricted bank deposits	(4,472,205)	(4,607,336)
- Time deposit of more than three months	(3,769,713)	(4,113,898)
- Others	(702,492)	(493,438)
Less: Interest receivable	(49,057)	(35,660)
Total	<u>8,241,628</u>	<u>5,759,960</u>

The restricted bank deposits include bank deposits with original maturity of more than three months, risk reserve deposits, frozen bank deposits, restricted bank balances and clearing settlement funds.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

46. LOANS AND BORROWINGS

31 December 2019

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans				
- Current	HKD	Hibor+1.10% – Hibor+2.00%	2020	6,487,163
- Non-current	HKD	Hibor+1.40% – Hibor+2.10%	2021	3,006,349
Secured bank loans				
- Current	RMB	4.28%-6.70%	2020	1,123,517
- Current	USD	4.50%	2020	258,147
- Non-current	RMB	4.75%-6.70%	2021-2023	805,015
Total				<u>11,680,191</u>

31 December 2018

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans				
- Current	HKD	Hibor+1.38% – Hibor+2.10%	2019	2,233,688
- Non-current	HKD	Hibor+1.38% – Hibor+2.10%	2020-2021	8,247,963
Secured bank loans				
- Current	HKD	2.59%-4.50%	2019	1,699,202
Secured bank loans				
- Current	RMB	4.28%-5.46%	2019	836,376
- Non-current	RMB	4.28%~6.41%	2021	1,714,035
- Non-current	USD	4.50%	2020	250,462
Total				<u>14,981,726</u>

(All amounts expressed in RMB thousand unless otherwise specified)

47. SHORT-TERM DEBT INSTRUMENTS

	<u>Nominal interest rate</u>	<u>Book value as at 1 January 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Book value as at 31 December 2019</u>
Structured notes and short-term bonds	0.00%-8.00%	<u>14,109,673</u>	<u>27,845,502</u>	<u>(37,465,792)</u>	<u>4,489,383</u>
	<u>Nominal interest rate</u>	<u>Book value as at 1 January 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Book value as at 31 December 2018</u>
Structured notes and short-term bonds	0.00%-7.00%	<u>18,491,732</u>	<u>25,990,564</u>	<u>(30,372,623)</u>	<u>14,109,673</u>

In 2019, the Group issued 241 tranches of structured notes, and repaid 304 tranches of structured notes during the year. The balance bears interest at the fixed interest rate ranging from 0.00% to 8.00% per annum plus a floating rate, and is repayable within 1 year.

In 2018, the Group issued 337 tranches of structured notes, and repaid 333 tranches of structured notes during the year. The balance bore interest at the fixed interest rate ranging from 0.00% to 7.00% per annum plus a floating rate, and was repayable within 1 year.

48. PLACEMENT FROM OTHER FINANCIAL INSTITUTIONS

	<u>31 December 2019</u>	<u>31 December 2018</u>
Interbank lending	5,063,254	3,608,034
Placements from CSFC	<u>1,000,451</u>	<u>2,001,315</u>
Total	<u>6,063,705</u>	<u>5,609,349</u>

As at 31 December 2019, the interbank lending is unsecured and bears interest at the rate ranging from 1.90% to 3.00% per annum, with maturity ranging from 1 day to 216 days. As at 31 December 2018, the interbank lending was unsecured and bore interest at the 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

49. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Held for trading		
- Structured entities	<u>893,218</u>	<u>287,616</u>
Total	<u><u>893,218</u></u>	<u><u>287,616</u></u>

The financial liabilities at fair value through profit or loss 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.

50. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	31 December 2019	31 December 2018
Clients' deposits for other brokerage business	39,331,334	29,441,730
Clients' deposits for margin financing and securities lending	<u>6,379,657</u>	<u>6,524,167</u>
Total	<u><u>45,710,991</u></u>	<u><u>35,965,897</u></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 in 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

51. EMPLOYEE BENEFITS PAYABLE

Current	2019			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	1,444,479	2,721,132	(2,656,459)	1,509,152
Contributions to pension schemes	4,934	242,555	(242,653)	4,836
Other social welfare	46,830	323,052	(326,596)	43,286
Sub-total	<u>1,496,243</u>	<u>3,286,739</u>	<u>(3,225,708)</u>	<u>1,557,274</u>
Non-current	2019			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	998	-	-	998
Sub-total	<u>998</u>	<u>-</u>	<u>-</u>	<u>998</u>
Total	<u>1,497,241</u>	<u>3,286,739</u>	<u>(3,225,708)</u>	<u>1,558,272</u>
Current	2018			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	1,973,567	2,507,327	(3,036,415)	1,444,479
Contributions to pension schemes	4,567	247,399	(247,031)	4,935
Other social welfare	52,919	291,304	(297,394)	46,829
Sub-total	<u>2,031,053</u>	<u>3,046,030</u>	<u>(3,580,840)</u>	<u>1,496,243</u>
Non-current	2018			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	2,051	-	(1,053)	998
Sub-total	<u>2,051</u>	<u>-</u>	<u>(1,053)</u>	<u>998</u>
Total	<u>2,033,104</u>	<u>3,046,030</u>	<u>(3,581,893)</u>	<u>1,497,241</u>

(All amounts expressed in RMB thousand unless otherwise specified)

52. OTHER PAYABLES AND ACCURALS

	31 December 2019	31 December 2018
Put right liabilities arising from business combination ⁽¹⁾	2,114,937	-
Payables to interest holders of ABS	2,120,765	4,202,447
Payables to interest holders of consolidated structured entities	1,334,927	5,678,032
Settlement payables	818,507	411,821
Distribution expenses payable	200,754	212,190
Other tax payable	194,043	178,097
Risk reserve for futures brokerage business	144,191	97,220
Deposits for finance leases	84,819	59,577
Commission payables	58,831	38,438
Accrued expenses	53,431	53,192
Dividends payable	34,835	-
Payable to custodians	25,338	19,075
Temporary receipts	24,971	78,053
Payable to the securities and futures investor protection fund	22,919	27,853
Payable for derivative business	21,000	21,000
Payable on behalf of staff	20,035	36,930
OTC option premium	16,953	19,456
Option prepayment	16,851	16,482
Interest payable	16,768	12,210
Payable for construction projects	7,664	8,148
Account executive commission payable	5,657	5,628
Deferred revenue	4,347	4,132
Others ⁽²⁾	291,374	256,353
Total	<u>7,633,917</u>	<u>11,436,334</u>

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

53. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Current	31 December 2019	31 December 2018
Debt securities	22,695,471	15,953,717
Others	1,940,639	102
Total	<u>24,636,110</u>	<u>15,953,819</u>

(b) Analysed by market:

Current	31 December 2019	31 December 2018
Inter-bank market	21,687,630	14,785,492
Stock exchanges	1,007,841	1,168,327
OTC market	1,940,639	-
Total	<u>24,636,110</u>	<u>15,953,819</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS

As at 31 December 2019

Name	Par value	Issue date	Maturity date	Issue	Coupon rate
	Original currency			Original currency	
EBSHKBVICorp ⁽¹⁾	USD200,000	21/11/2018	21/11/2021	USD200,000	3.20%
17 EVERBRIGHT04 ⁽⁴⁾	2,000,000	14/02/2017	14/02/2020	2,000,000	5.50%
17 EVERBRIGHT06 ⁽⁶⁾	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%
17 EVERBRIGHTG1 ⁽⁷⁾	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%
17 EVERBRIGHTG2 ⁽⁸⁾	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%
17 EVERBRIGHTG3 ⁽⁹⁾	4,100,000	13/10/2017	16/10/2020	4,087,700	4.80%
17 EVERBRIGHTG4 ⁽¹⁰⁾	1,600,000	13/10/2017	16/10/2022	1,595,200	4.90%
18 EVERBRIGHTC1 ⁽¹¹⁾	3,000,000	13/12/2018	13/12/2021	3,000,000	4.30%
18 EVERBRIGHTG1 ⁽¹²⁾	2,700,000	18/04/2018	18/04/2020	2,686,500	4.68%
18 EVERBRIGHTG2 ⁽¹³⁾	3,300,000	18/04/2018	18/04/2021	3,283,500	4.78%
18 EVERBRIGHTG3 ⁽¹⁴⁾	2,800,000	26/09/2018	26/09/2021	2,794,960	4.30%
18 EVERBRIGHT02 ⁽¹⁵⁾	2,000,000	18/01/2018	18/01/2020	1,990,000	5.55%
18 EVERBRIGHT05 ⁽¹⁶⁾	1,000,000	30/07/2018	30/07/2020	990,000	4.55%
18 EVERBRIGHT06 ⁽¹⁷⁾	4,000,000	30/07/2018	30/07/2021	4,000,000	4.67%
17 EVERBRIGHT Xingfu PPN001 ⁽¹⁸⁾	600,000	29/03/2017	29/03/2020	600,000	5.00%
17 EVERBRIGHT Xingfu PPN002 ⁽¹⁹⁾	200,000	27/04/2017	27/04/2020	200,000	5.50%
18 EVERBRIGHT Xingfu PPN001 ⁽²⁰⁾	200,000	07/02/2018	07/02/2021	200,000	6.80%
Dingfu No.204 Structured Notes ⁽²²⁾	200,000	25/12/2018	28/06/2020	200,000	4.00%
Jinzhishu No.1062 Structured Notes ⁽²⁵⁾	2,000,000	21/12/2018	18/06/2020	2,000,000	4.00%
Jinzhishu No.1057 Structured Notes ⁽²⁶⁾	500,000	25/12/2018	25/03/2020	500,000	4.10%
19 EVERBRIGHT01 ⁽²⁷⁾	3,000,000	22/01/2019	22/01/2022	3,000,000	3.88%
19 EVERBRIGHT02 ⁽²⁸⁾	3,000,000	22/08/2019	22/08/2022	3,000,000	3.75%
Dingfu No.205 Structured Notes ⁽²⁹⁾	200,000	31/01/2019	21/04/2020	200,000	3.90%

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2019	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2019
EBSHKBVICorp ⁽¹⁾	1,373,112	-	76,620	(73,728)	21,584	1,397,588
16 EVERBRIGHT06 ⁽²⁾	3,017,095	77,905	1,000	(3,096,000)	-	-
17 EVERBRIGHT03 ⁽³⁾	2,075,251	10,511	238	(2,086,000)	-	-
17 EVERBRIGHT04 ⁽⁴⁾	2,075,985	89,000	1,900	(89,000)	-	2,077,885
17 EVERBRIGHT05 ⁽⁵⁾	3,099,625	47,437	1,438	(3,148,500)	-	-
17 EVERBRIGHT06 ⁽⁶⁾	4,131,315	200,000	4,000	(200,000)	-	4,135,315
17 EVERBRIGHTG1 ⁽⁷⁾	3,058,942	137,400	5,000	(137,400)	-	3,063,942
17 EVERBRIGHTG2 ⁽⁸⁾	1,528,916	70,500	1,500	(70,500)	-	1,530,416
17 EVERBRIGHTG3 ⁽⁹⁾	4,133,649	196,800	4,100	(196,800)	-	4,137,749
17 EVERBRIGHTG4 ⁽¹⁰⁾	1,612,692	78,400	960	(78,400)	-	1,613,652
18 EVERBRIGHTC1 ⁽¹¹⁾	3,006,589	117,000	4,133	(129,000)	-	2,998,722
18 EVERBRIGHTG1 ⁽¹²⁾	2,779,677	126,360	6,750	(126,360)	-	2,786,427
18 EVERBRIGHTG2 ⁽¹³⁾	3,397,768	157,740	5,500	(157,740)	-	3,403,268
18 EVERBRIGHTG3 ⁽¹⁴⁾	2,827,176	120,400	1,680	(120,400)	-	2,828,856
18 EVERBRIGHT02 ⁽¹⁵⁾	2,100,208	111,000	5,000	(111,000)	-	2,105,208
18 EVERBRIGHT05 ⁽¹⁶⁾	1,011,335	45,500	5,000	(45,500)	-	1,016,335
18 EVERBRIGHT06 ⁽¹⁷⁾	4,078,871	186,828	-	(186,800)	-	4,078,899
17 EVERBRIGHT Xingfu PPN001 ⁽¹⁸⁾	620,754	30,579	181	(30,000)	-	621,514
17 EVERBRIGHT Xingfu PPN002 ⁽¹⁹⁾	207,255	10,958	59	(11,000)	-	207,272
18 EVERBRIGHT Xingfu PPN001 ⁽²⁰⁾	190,254	13,778	169	(13,600)	-	190,601
18 EVERBRIGHT Xingfu SCP001 ⁽²¹⁾	457,535	16,444	924	(474,903)	-	-

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2019	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2019
Dingfu No.204 Structured Notes ⁽²²⁾	200,132	8,021	-	-	-	208,153
Dingfu No.588 Structured Notes ⁽²³⁾	82	2	-	(84)	-	-
Guangxin No.514 Structured Notes ⁽²⁴⁾	31,098	382	-	(31,480)	-	-
Jinzhishu No.1062 Structured Notes ⁽²⁵⁾	2,002,192	80,219	-	-	-	2,082,411
Jinzhishu No.1057 Structured Notes ⁽²⁶⁾	500,337	20,555	-	-	-	520,892
19 EVERBRIGHT01 ⁽²⁷⁾	-	3,100,829	2,847	-	-	3,103,676
19 EVERBRIGHT02 ⁽²⁸⁾	-	3,040,524	-	-	-	3,040,524
Dingfu No.205 Structured Notes ⁽²⁹⁾	-	207,159	-	-	-	207,159
Total	49,517,845	8,302,231	128,999	(10,614,195)	21,584	47,356,464

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

As at 31 December 2018

Name	Par value	Issue date	Maturity date	Issue	Coupon rate
	Original currency			Original currency	
16 EVERBRIGHT 06 ⁽²⁾	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
17 EVERBRIGHT Xingfu PPN002 ⁽¹⁹⁾	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT Xingfu PPN001 ⁽¹⁸⁾	600,000	29/03/2017	28/03/2020	600,000	5.00%
17 EVERBRIGHT03 ⁽³⁾	2,000,000	14/02/2017	14/02/2019	1,996,200	4.30%
17 EVERBRIGHT04 ⁽⁴⁾	2,000,000	14/02/2017	14/02/2020	1,994,300	4.45%
17 EVERBRIGHT05 ⁽⁵⁾	3,000,000	26/04/2017	26/04/2019	2,991,000	4.95%
17 EVERBRIGHT06 ⁽⁶⁾	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%
17 EVERBRIGHTG1 ⁽⁷⁾	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%
17 EVERBRIGHTG2 ⁽⁸⁾	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%
17 EVERBRIGHTG3 ⁽⁹⁾	4,100,000	13/10/2017	16/10/2020	4,087,700	4.80%
17 EVERBRIGHTG4 ⁽¹⁰⁾	1,600,000	13/10/2017	16/10/2022	1,595,200	4.90%
18 EVERBRIGHT Xingfu PPN001 ⁽²⁰⁾	200,000	07/02/2018	06/02/2021	200,000	6.80%
18 EVERBRIGHT05 ⁽¹⁶⁾	1,000,000	30/07/2018	29/07/2020	990,000	4.55%
18 EVERBRIGHT06 ⁽¹⁷⁾	4,000,000	30/07/2018	29/07/2021	4,000,000	4.67%
18 EVERBRIGHTG3 ⁽¹⁴⁾	2,800,000	26/09/2018	26/09/2021	2,794,960	4.30%
EBSHKVI Corp ⁽¹⁾	USD200,000	21/11/2018	21/11/2021	USD200,000	5.25%
18 EVERBRIGHTC1 ⁽¹¹⁾	3,000,000	13/12/2018	13/12/2021	3,000,000	4.30%
Jinzhihu No.1062 Structured Notes ⁽²⁵⁾	2,000,000	21/12/2018	18/06/2020	2,000,000	4.00%
Dingfu No.204 Structured Notes ⁽²²⁾	200,000	25/12/2018	28/06/2020	200,000	4.00%
Jinzhihu No.1057 Structured Notes ⁽²⁶⁾	500,000	25/12/2018	25/03/2020	500,000	4.10%
18 EVERBRIGHT02 ⁽¹⁵⁾	2,000,000	18/01/2018	17/01/2020	1,990,000	5.55%

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

As at 31 December 2018

Name	Par value		Issue date	Maturity date	Issue		Coupon rate
	Original currency				Original currency		
18 EVERBRIGHTG1 ⁽¹²⁾	2,700,000		18/04/2018	18/04/2020	2,686,500		4.68%
18 EVERBRIGHTG2 ⁽¹³⁾	3,300,000		18/04/2018	18/04/2021	3,283,500		4.78%
Guangxin No.514 Structured Notes ⁽²⁴⁾	30,000		13/04/2018	16/04/2019	30,000		5.10%
Dingfu No.588 Structured Notes ⁽²³⁾	80		27/04/2018	10/05/2019	80		4.50%
18 EVERBRIGHT Xingfu SCP001 ⁽²¹⁾	500,000		20/09/2018	17/06/2019	500,000		7.00%

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2018	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2018
16 EVERBRIGHT 06 ⁽²⁾	2,997,750	114,095	1,250	(96,000)	-	3,017,095
17 EVERBRIGHT Xingfu PPN002 ⁽¹⁹⁾	199,674	18,322	259	(11,000)	-	207,255
17 EVERBRIGHT Xingfu PPN001 ⁽¹⁸⁾	598,432	52,248	74	(30,000)	-	620,754
17 EVERBRIGHT03 ⁽³⁾	1,997,862	161,489	1,900	(86,000)	-	2,075,251
17 EVERBRIGHT04 ⁽⁴⁾	1,995,962	167,122	1,900	(89,000)	-	2,075,984
17 EVERBRIGHT05 ⁽⁵⁾	2,994,063	249,563	4,500	(148,500)	-	3,099,626
17 EVERBRIGHT06 ⁽⁶⁾	3,990,722	336,592	4,000	(200,000)	-	4,131,314
17 EVERBRIGHTG1 ⁽⁷⁾	2,987,151	204,192	5,000	(137,400)	-	3,058,943
17 EVERBRIGHTG2 ⁽⁸⁾	1,493,145	104,771	1,500	(70,500)	-	1,528,916
17 EVERBRIGHTG3 ⁽⁹⁾	4,088,549	237,800	4,100	(196,800)	-	4,133,649
17 EVERBRIGHTG4 ⁽¹⁰⁾	1,595,399	94,733	960	(78,400)	-	1,612,692
18 EVERBRIGHT Xingfu PPN001 ⁽²⁰⁾	-	189,748	506	-	-	190,254
18 EVERBRIGHT05 ⁽¹⁶⁾	-	1,009,085	2,250	-	-	1,011,335
18 EVERBRIGHT06 ⁽¹⁷⁾	-	4,078,871	-	-	-	4,078,871
18 EVERBRIGHTG3 ⁽¹⁴⁾	-	2,826,732	444	-	-	2,827,176

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2018	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2018
EBSHKBI Corp ⁽¹⁾	-	1,370,727	8,801	(8,083)	1,667	1,373,112
18 EVERBRIGHTC1 ⁽¹¹⁾	-	3,006,589	-	-	-	3,006,589
Jinzhishu No.1062 Structured Notes ⁽²⁵⁾	-	2,002,192	-	-	-	2,002,192
Dingfu No.204 Structured Notes ⁽²²⁾	-	200,132	-	-	-	200,132
Jinzhishu No.1057 Structured Notes ⁽²⁶⁾	-	500,337	-	-	-	500,337
18 EVERBRIGHT02 ⁽¹⁵⁾	-	2,095,450	4,758	-	-	2,100,208
18 EVERBRIGHTG1 ⁽¹²⁾	-	2,774,952	4,725	-	-	2,779,677
18 EVERBRIGHTG2 ⁽¹³⁾	-	3,393,918	3,850	-	-	3,397,768
Guangxin No.514 Structured Notes ⁽²⁴⁾	-	31,098	-	-	-	31,098
Dingfu No.588 Structured Notes ⁽²³⁾	-	82	-	-	-	82
18 EVERBRIGHT Xingfu SCP001 ⁽²¹⁾	-	456,959	576	-	-	457,535
Total	24,938,709	25,677,799	51,353	(1,151,683)	1,667	49,517,845

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

	31 December 2019	31 December 2018
Long-term bonds due within one year	23,175,697	8,680,687
Long-term bonds due after one year	24,180,767	40,837,158
Total	<u>47,356,464</u>	<u>49,517,845</u>

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

- (1) Everbright Securities Financial Holdings Limited, the Company's directly-owned subsidiary registered in Hong Kong, issued a 3-year redeemable bond with a par value of USD200 million on 21 November 2018
- (2) 3-year corporate bond amounting to RMB3 billion on 24 October 2016, which was redeemed on 24 October 2019.
- (3) 2-year corporate bond amounting to RMB2 billion on 14 February 2017, which was redeemed on 14 February 2019.
- (4) 3-year corporate bond amounting to RMB2 billion on 14 February 2017.
- (5) 2-year corporate bond amounting to RMB3 billion on 26 April 2017, which was redeemed on 26 April 2019.
- (6) 3-year corporate bond amounting to RMB4 billion on 26 April 2017.
- (7) 3-year corporate bond amounting to RMB3 billion on 4 July 2017.
- (8) 5-year corporate bond amounting to RMB1.5 billion on 4 July 2017.
- (9) 3-year corporate bond amounting to RMB4.1 billion on 13 October 2017.
- (10) 5-year corporate bond amounting to RMB1.6 billion on 13 October 2017.
- (11) 3-year subordinated bond amounting to RMB3 billion on 13 December 2018.
- (12) 2-year corporate bond amounting to RMB2.7 billion on 18 April 2018.
- (13) 3-year corporate bond amounting to RMB3.3 billion on 18 April 2018.
- (14) 3-year corporate bond amounting to RMB2.8 billion on 26 September 2018.
- (15) 2-year corporate bond amounting to RMB2 billion on 18 January 2018.
- (16) 2-year corporate bond amounting to RMB1 billion on 30 July 2018.
- (17) 3-year corporate bond amounting to RMB4 billion on 30 July 2018.

(All amounts expressed in RMB thousand unless otherwise specified)

54. LONG-TERM BONDS (continued)

- (18) 3-year PPN amounting to RMB600 million on 29 March 2017.
- (19) 3-year PPN amounting to RMB200 million on 27 April 2017.
- (20) 3-year PPN amounting to RMB200 million on 7 February 2018.
- (21) 1-year SCP amounting to RMB500 million on 20 September 2018, which was redeemed on 17 June 2019.
- (22) 18-month structured notes amounting to RMB200 million on 25 December 2018.
- (23) 1-year structured notes amounting to RMB80 thousand on 27 April 2018, which were redeemed on 10 May 2019.
- (24) 1-year structured notes amounting to RMB30 million on 13 April 2018, which were redeemed on 16 April 2019.
- (25) 18-month structured notes amounting to RMB2 billion on 21 December 2018.
- (26) 15-month structured notes amounting to RMB500 million on 25 December 2018.
- (27) 3-year corporate bond amounting to RM3 billion on 22 January 2019.
- (28) 3-year corporate bond amounting to RMB3 billion on 22 August 2019.
- (29) 15-month structured notes amounting to RMB200 million on 31 January 2019.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

55. OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2018
Deposits for finance leases	233,427	284,579
Payables to interest holders of ABS	136,818	2,875,602
Deferred revenue	37,097	65,943
Put right liabilities arising from a business combination	-	2,010,879
Club membership and trading payable	-	16,482
Others	-	10,632
Total	<u>407,342</u>	<u>5,264,117</u>

56. SHARE CAPITAL

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

57. RESERVES AND RETAINED PROFITS

(a) Capital reserve

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

(b) Surplus reserve

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

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

(c) General reserve

General reserve includes the 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 the 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% of 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 income from 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 debt instruments at fair value through other comprehensive income and equity 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.

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

57. RESERVES AND RETAINED PROFITS (continued)

(f) Other comprehensive income for the year in reserves, net of tax

	31 December 2019				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Debt instruments at fair value through other comprehensive income					
-Net changes in fair value	8,085	-	8,085	-	8,085
-Provision for ECL allowance	92,771	-	92,771	-	92,771
-Reclassified to profit or loss	(33,652)	-	(33,652)	-	(33,652)
Equity instruments at fair value through other comprehensive income					
-Net changes in fair value	147,276	-	147,276	(5,266)	142,010
Share of other comprehensive income of associates	8,690	-	8,690	-	8,690
Exchange differences on translation of financial statements in foreign currencies	-	20,950	20,950	19,840	40,790
Total	223,170	20,950	244,120	14,574	258,694
	31 December 2018				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Debt instruments at fair value through other comprehensive income					
-Net changes in fair value	226,634	-	226,634	-	226,634
-Provision for ECL allowance	42,654	-	42,654	-	42,654
-Reclassified to profit or loss	(205,900)	-	(205,900)	-	(205,900)
Equity instruments at fair value through other comprehensive income					
-Net changes in fair value	(563,916)	-	(563,916)	-	(563,916)
Share of other comprehensive income of associates	1,484	-	1,484	-	1,484
Exchange differences on translation of financial statements in foreign currencies	-	33,041	33,041	38,554	71,595
Total	(499,044)	33,041	(466,003)	38,554	(427,449)

(All amounts expressed in RMB thousand unless otherwise specified)

58. TRANSFERRED FINANCIAL ASSETS

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

(a) Repurchase agreements

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

(b) Securities lending

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

(c) Asset-backed securities management schemes

The Group sells margin accounts receivable and finance lease receivables to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitization vehicle collects from the transferred assets have not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable and finance lease receivables on specified future dates and at agreed-upon prices. Thus the Group has not derecognised these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognised as a financial liability.

(All amounts expressed in RMB thousand unless otherwise specified)

58. TRANSFERRED FINANCIAL ASSETS (continued)

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

31 December 2019	Repurchase agreements	Securities lending	Asset-backed securities management schemes
Carrying amount of transferred assets	<u>624,491</u>	<u>51,729</u>	<u>2,427,146</u>
Carrying amount of related liabilities	<u>603,043</u>	N/A	<u>2,212,562</u>
31 December 2018	Repurchase agreements	Securities lending	Asset-backed securities management schemes
Carrying amount of transferred assets	<u>611,297</u>	<u>394,686</u>	<u>6,850,458</u>
Carrying amount of related liabilities	<u>569,062</u>	N/A	<u>6,491,402</u>

59. COMMITMENTS

Capital commitments

	31 December 2019	31 December 2018
Contracted, but not provided for	<u>197,731</u>	<u>207,561</u>

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

60. CONTINGENCIES

As at 31 December 2019, the Group's pending litigations refer to note 14(b) for details.

(All amounts expressed in RMB thousand unless otherwise specified)

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership. Share percentage in the Company:

	<u>31 December 2019</u>	<u>31 December 2018</u>
China Everbright Group Company	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 27.

(iii) Other related parties

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

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Balances at the end of the year:		
Accounts receivable	500	438
Other payables and accruals	301	264
	<u>2019</u>	<u>2018</u>
Transactions during the year:		
Fee and commission income	28,342	41,509

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances (continued)

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

	31 December 2019	31 December 2018
	<u>2019</u>	<u>2018</u>
Balances at the end of the year:		
Cash and bank balances	10,188,352	7,058,160
Loans and borrowings	1,970,793	2,174,479
Other payables and accruals	2,392,258	528,502
Financial assets at fair value through profit or loss	1,885,475	2,144,342
Other receivables and prepayments	210,869	234,324
Right-of-use assets	20,723	-
Lease liabilities	19,409	-
Accounts receivable	3,260	1,876
Other non-current liabilities	-	2,010,879
	<u>2019</u>	<u>2018</u>
Transactions during the year:		
Transaction amounts for financial assets sold under repurchase agreements	95,544,464	47,008,401
Other operating expenses	56,837	56,025
Interest income	157,812	246,015
Interest expenses	110,257	89,770
Fee and commission income	77,164	91,927
Fee and commission expenses	97,188	65,982
Placements from other financial institutions borrowed	2,296,807	1,253,948
Net investment gains	107	373
Other income and gains	18,279	12,537

(All amounts expressed in RMB thousand unless otherwise specified)

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 18, is as follows:

	<u>2019</u>	<u>2018</u>
Short-term employee benefits and post-employment benefits	<u>28,626</u>	<u>29,137</u>

Total remuneration is included in "staff costs" (see note 11).

(d) Government related entities

Other than those disclosed above, the Group has also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions. None of them were individually significant. Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

62. SEGMENT REPORTING

Management allocates resources and assesses the segment performance based on the grouping of operating segments. Accordingly, the reporting period's segment reporting 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 financial 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
- The "Others" segment includes other operations of head office, including interest income and interest expense incurred for general working capital purposes.

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

62. SEGMENT REPORTING (continued)

(a) Business segments

For the year ended 31 December 2019

	Brokerage and wealth management	Credit business	Institutional client services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	2,228,257	56,718	1,871,967	1,698,138	856,548	4,282	6,715,910
- Inter-segment	19,846	-	-	838	-	-	20,684
Interest income							
- External	642,615	2,936,066	813,151	555,096	706,731	282,120	5,935,779
- Inter-segment	-	-	2,776	22,301	-	450,433	475,510
Net investment gains/(losses)							
- External	46,384	162,862	1,695,796	(879,351)	(12,378)	1,181,709	2,195,022
- Inter-segment	-	-	95	-	-	242,360	242,455
Total revenue							
- External	2,917,256	3,155,646	4,380,914	1,373,883	1,550,901	1,468,111	14,846,711
- Inter-segment	19,846	-	2,871	23,139	-	692,793	738,649
Other income and gains							
- External	119,976	14,848	989	57,115	63,081	249,677	505,686
- Inter-segment	-	-	-	-	-	50	50
Segment revenue and other income							
- External	3,037,232	3,170,494	4,381,903	1,430,998	1,613,982	1,717,788	15,352,397
- Inter-segment	19,846	-	2,871	23,139	-	692,843	738,699
Segment expenses							
- External	(2,262,658)	(2,462,581)	(1,979,999)	(3,042,658)	(1,871,362)	(2,589,773)	(14,209,031)
- Inter-segment	(11,207)	(3,596)	13	(457,986)	-	(2,623,532)	(3,096,308)
Segment operating profit/(loss)							
- External	774,574	707,913	2,401,904	(1,611,660)	(257,380)	(871,985)	1,143,366
- Inter-segment	8,639	(3,596)	2,884	(434,847)	-	(1,930,689)	(2,357,609)
Share of profit of associates and joint ventures							
- External	-	(3,060)	-	74,645	3,902	-	75,487
- Inter-segment	-	-	-	8,359	13,319	-	21,678
Profit/(loss) before income tax							
- External	774,574	704,853	2,401,904	(1,537,015)	(253,478)	(871,985)	1,218,853
- Inter-segment	8,639	(3,596)	2,884	(426,488)	13,319	(1,930,689)	(2,335,931)
Interest income							
Interest expenses	642,615	2,936,066	813,151	555,096	706,731	282,120	5,935,779
Provision for impairment losses	(95,717)	(1,890,807)	(577,108)	(154,336)	(487,148)	(1,157,729)	(4,362,845)
Credit loss expense	-	-	-	-	(263,919)	-	(263,919)
	6	(460,493)	(341,475)	(209,344)	56,577	(317,840)	(1,272,569)

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

62. SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the year ended 31 December 2018

	Brokerage and wealth management	Credit business	Institutional client services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	1,791,772	120,136	1,565,161	1,458,932	842,892	4,575	5,783,468
- Inter-segment	15,516	-	-	-	2,228	-	17,744
Interest income							
- External	638,917	3,639,533	1,160,490	286,410	611,567	252,116	6,589,033
- Inter-segment	-	-	2,085	24,062	-	176,534	202,681
Net investment gains/(losses)							
- External	31,303	(163,823)	(6,593)	370,736	163,944	408,196	803,763
- Inter-segment	-	-	-	(61)	-	(181)	(242)
Total revenue							
- External	2,461,992	3,595,846	2,719,058	2,116,078	1,618,403	664,887	13,176,264
- Inter-segment	15,516	-	2,085	24,001	2,228	176,353	220,183
Other income and gains							
- External	31,674	(9,066)	1,080	22,045	64,085	196,502	306,320
- Inter-segment	-	-	-	-	-	50	50
Segment revenue and other income							
- External	2,493,666	3,586,780	2,720,138	2,138,123	1,682,488	861,389	13,482,584
- Inter-segment	15,516	-	2,085	24,001	2,228	176,403	220,233
Segment expenses							
- External	(2,089,533)	(2,445,361)	(2,076,801)	(2,680,619)	(1,677,765)	(2,184,682)	(13,154,761)
- Inter-segment	(6,148)	(7,376)	(122)	(180,542)	-	(1,426,166)	(1,620,354)
Segment operating profit/(loss)							
- External	404,133	1,141,419	643,337	(542,496)	4,723	(1,323,293)	327,823
- Inter-segment	9,368	(7,376)	1,963	(156,541)	2,228	(1,249,763)	(1,400,121)
Share of profit of associates and joint ventures							
- External	-	(2,208)	-	(25,106)	4,932	-	(22,382)
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax							
- External	404,133	1,139,211	643,337	(567,602)	9,655	(1,323,293)	305,441
- Inter-segment	9,368	(7,376)	1,963	(156,541)	2,228	(1,249,763)	(1,400,121)
Interest income	638,917	3,639,533	1,160,490	286,410	611,567	252,116	6,589,033
Interest expenses	(73,528)	(1,912,642)	(1,058,549)	(285,849)	(404,958)	(1,136,381)	(4,871,907)
Provision for impairment losses	-	-	-	(65,524)	-	(38,138)	(103,662)
Credit loss expense	30	(395,519)	(89,291)	(71,060)	(121,924)	(1,028)	(678,792)

(All amounts expressed in RMB thousand unless otherwise specified)

62. SEGMENT REPORTING (continued)

(b) Geographical segments

The following table sets out (i) information about the geographical locations 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, refundable deposits and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location in 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 the operations in the case of interests in associates and joint ventures.

Segment revenue:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Revenue from external customers	13,295,810	1,550,901	14,846,711	11,557,861	1,618,403	13,176,264
Other income and gains	442,605	63,081	505,686	242,235	64,085	306,320
Total	13,738,415	1,613,982	15,352,397	11,800,096	1,682,488	13,482,584

Specified non-current assets:

	31 December 2019			31 December 2018		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Property and equipment	792,816	35,995	828,811	763,551	36,492	800,043
Goodwill	9,380	1,006,813	1,016,193	9,380	1,247,666	1,257,046
Other intangible assets	105,688	208,370	314,058	82,023	354,191	436,214
Interests in associates and joint ventures	995,682	43,734	1,039,416	1,057,400	38,910	1,096,310
Refundable deposits	4,371,479	44,049	4,415,528	3,149,377	37,431	3,186,808

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

(a) Credit risk

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

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

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Financial assets measured at amortized cost	7,205,866	7,902,881
Refundable deposits	4,415,528	3,186,808
Accounts receivable	3,077,872	3,211,112
Other receivables and prepayments	1,766,664	2,241,654
Finance lease receivables	3,242,974	5,296,830
Long term receivable arising from sale-and-leaseback arrangements	454,055	-
Other non-current assets	36,494	32,712
Margin accounts receivable	34,118,659	30,337,928
Financial assets held under resale agreements	8,285,807	33,708,788
Financial assets at fair value through profit or loss	24,834,023	52,406,100
Debt instruments at fair value through other comprehensive income	12,552,867	8,398,879
Derivative financial assets	9,239	26,720
Clearing settlement funds	1,723,018	1,475,419
Cash held on behalf of brokerage clients	39,937,491	33,234,544
Bank balances	11,039,732	8,927,409
	<u>152,700,289</u>	<u>190,387,784</u>
Total maximum credit risk exposure		

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations

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

31 December 2019	By geographical area		
	Mainland China	Outside Mainland China	Total
Financial assets measured at amortized cost	7,006,225	199,641	7,205,866
Refundable deposits	4,146,920	268,608	4,415,528
Accounts receivable	420,989	2,656,883	3,077,872
Other receivables and prepayments	1,621,516	145,148	1,766,664
Finance lease receivables	3,242,974	-	3,242,974
Long term receivable arising from sale-and- leaseback arrangements	454,055	-	454,055
Other non-current assets	28,306	8,188	36,494
Margin accounts receivable	27,424,757	6,693,902	34,118,659
Financial assets held under resale agreements	8,285,807	-	8,285,807
Financial assets at fair value through profit or loss	23,135,234	1,698,789	24,834,023
Debt instruments at fair value through other comprehensive income	12,552,867	-	12,552,867
Derivative financial assets	5,960	3,279	9,239
Clearing settlement funds	1,723,018	-	1,723,018
Cash held on behalf of brokerage clients	30,362,117	9,575,374	39,937,491
Bank balances	8,794,304	2,245,428	11,039,732
Total maximum credit risk exposure	<u>129,205,049</u>	<u>23,495,240</u>	<u>152,700,289</u>
31 December 2018	By geographical area		
	Mainland China	Outside Mainland China	Total
Financial assets measured at amortized cost	7,769,078	133,803	7,902,881
Refundable deposits	3,149,377	37,431	3,186,808
Accounts receivable	604,523	2,606,589	3,211,112
Other receivables and prepayments	2,141,419	100,235	2,241,654
Finance lease receivables	5,296,830	-	5,296,830
Other non-current assets	32,712	-	32,712
Margin accounts receivable	22,259,357	8,078,571	30,337,928
Financial assets held under resale agreements	33,708,788	-	33,708,788
Financial assets at fair value through profit or loss	52,092,909	313,191	52,406,100
Debt instruments at fair value through other comprehensive income	8,398,879	-	8,398,879
Derivative financial assets	26,720	-	26,720
Clearing settlement funds	1,475,419	-	1,475,419
Cash held on behalf of brokerage clients	23,634,216	9,600,328	33,234,544
Bank balances	6,794,764	2,132,645	8,927,409
Total maximum credit risk exposure	<u>167,384,991</u>	<u>23,002,793</u>	<u>190,387,784</u>

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Credit rating analysis of financial assets

The Group adopts a credit rating method to monitor the credit risk of the debt securities portfolio. The rating of debt securities is decided with the reference to credit ratings from major credit rating institutions in which the debt issuers are located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	31 December 2019	31 December 2018
Rating		
Long-term bonds		
- AAA	10,441,544	11,074,695
- From A to AA+	8,249,939	11,005,360
- From B- to BBB+	35,604	-
- CCC+	-	-
- From C to CC	6,375	56,514
- Non-rated	20,223,015	8,376,195
Sub-total	<u>38,956,477</u>	<u>30,512,764</u>
Short-term bonds		
- A-1	233,244	2,074,770
- AA+	206,349	211,186
- AAA	151,273	283,811
- Non-rated	4,995,117	7,451,677
Sub-total	<u>5,585,983</u>	<u>10,021,444</u>
Total	<u><u>44,542,460</u></u>	<u><u>40,534,208</u></u>

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

(b) Liquidity risk

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	31 December 2019							Total	
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years		With no fixed term
Financial liabilities									
Loans and borrowings	11,680,191	-	774,375	966,861	6,505,707	3,987,504	-	-	12,234,447
Short-term debt instruments issued	4,489,383	-	4,083,231	414,719	-	-	-	-	4,497,950
Placements from other financial institutions	6,063,705	-	2,901,762	645,507	2,552,040	-	-	-	6,099,309
Accounts payable to brokerage clients	45,710,991	43,334,664	-	-	-	2,376,327	-	-	45,710,991
Other payables and accruals	7,379,155	4,258,971	273,814	132,669	3,075,627	-	-	106,797	7,847,878
Financial liabilities at fair value through profit or loss	893,218	893,218	-	-	-	-	-	-	893,218
Financial assets sold under repurchase agreements	24,636,110	-	22,694,071	206,185	1,736,325	-	-	-	24,636,581
Derivative financial liabilities	103,677	-	103,636	-	42	-	-	-	103,678
Long-term bonds	47,356,464	-	2,227,400	3,256,907	19,186,930	25,208,910	-	-	49,880,147
Contract liabilities	65	-	-	-	65	-	-	-	65
Lease liabilities	744,848	-	25,050	40,229	225,615	399,468	138,846	-	829,208
Other non-current liabilities	401,635	-	-	-	-	386,300	15,335	-	401,635
Total	149,459,442	48,486,853	33,083,339	5,663,077	33,282,351	32,358,509	154,181	106,797	153,135,107

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	31 December, 2018						Total	
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years		With no fixed term
Financial liabilities								
Loans and borrowings	14,981,726	-	3,443,915	837,640	1,513,085	9,885,042	-	15,679,682
Short-term debt instruments issued	14,109,673	-	3,290,394	4,257,492	6,708,491	-	-	14,256,377
Placements from other financial institutions	5,609,349	-	4,487,114	277,364	849,646	-	-	5,614,124
Accounts payable to brokerage clients	35,965,897	35,965,897	-	-	-	-	-	35,965,897
Other payables and accruals	11,246,027	6,110,194	597,781	216,752	4,305,486	2,030	-	11,232,243
Financial liabilities at fair value through profit or loss	287,616	287,616	-	-	-	-	-	287,616
Financial assets sold under repurchase agreements	15,953,819	-	15,958,788	3,932	6,241	-	-	15,968,961
Derivative financial liabilities	492,824	-	85,863	712	406,248	-	-	492,823
Long-term bonds	49,517,845	-	111,000	2,217,240	8,281,395	42,960,324	-	53,569,959
Other non-current liabilities	5,264,117	-	-	-	-	5,259,225	167,220	5,426,445
Total	153,428,893	42,363,707	27,974,855	7,811,132	22,070,592	58,106,621	167,220	158,494,127

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk

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

(i) Interest rate risk

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

	31 December 2019						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest-bearing	
Financial assets							
Financial assets measured at amortized cost	333,024	179,772	1,188,745	4,972,232	374,599	157,494	7,205,866
Debt instruments at fair value through other comprehensive income	48,023	22,582	3,547,963	6,293,929	2,330,044	310,326	12,552,867
Financial assets held under resale agreements	4,383,321	1,560,228	1,725,532	583,207	-	33,519	8,285,807
Refundable deposits	714,107	-	-	-	-	3,701,421	4,415,528
Accounts receivable	-	-	-	-	-	3,077,872	3,077,872
Other receivables and prepayments	985,094	-	11,993	-	-	769,577	1,766,664
Margin accounts receivable	13,221,351	2,855,545	18,041,763	-	-	-	34,118,659
Financial assets at fair value through profit or loss	1,255,449	2,356,596	13,014,170	6,028,701	1,886,215	40,862,463	65,403,594
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	5,072,522	5,072,522
Derivative financial assets	-	-	-	-	-	9,239	9,239
Clearing settlement funds	1,723,018	-	-	-	-	-	1,723,018
Cash held on behalf of brokerage clients	37,662,832	293,770	1,945,500	-	-	35,389	39,937,491
Cash and bank balances	10,312,976	56,230	624,500	-	-	46,166	11,039,872
Finance lease receivables	-	347,755	539,637	1,598,190	757,392	-	3,242,974
Long term receivable arising from sale-and-leaseback arrangements	-	-	199,676	254,379	-	-	454,055
Other non-current assets	-	-	-	-	-	36,494	36,494
Total	70,639,195	7,672,478	40,839,479	19,730,638	5,348,250	54,112,482	198,342,522

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2019						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest-bearing	
Financial liabilities							
Loans and borrowings	(745,215)	(846,541)	(6,250,860)	(3,811,364)	-	(26,211)	(11,680,191)
Short-term debt instruments issued	(4,056,100)	(400,000)	-	-	-	(33,283)	(4,489,383)
Placements from other financial institutions	(2,900,000)	(635,460)	(2,505,663)	-	-	(22,582)	(6,063,705)
Accounts payable to brokerage clients	(29,662,223)	-	-	(1,850,122)	-	(14,198,646)	(45,710,991)
Other payables and accruals	(4,440,980)	-	(2,741,447)	-	-	(196,728)	(7,379,155)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(893,218)	(893,218)
Financial assets sold under repurchase agreements	(22,681,059)	(201,155)	(1,703,205)	-	-	(50,691)	(24,636,110)
Derivative financial liabilities	-	-	-	-	-	(103,677)	(103,677)
Long-term bonds	(1,999,758)	(3,098,635)	(17,393,088)	(23,741,372)	-	(1,123,611)	(47,356,464)
Contract liabilities	-	-	(65)	-	-	-	(65)
Lease liabilities	(24,210)	(35,714)	(207,028)	(348,883)	(129,013)	-	(744,848)
Other non-current liabilities	-	-	-	(401,635)	-	-	(401,635)
Total	(66,509,545)	(5,217,505)	(30,801,356)	(30,153,376)	(129,013)	(16,648,647)	(149,459,442)
Net interest rate risk exposure	4,129,650	2,454,973	10,038,123	(10,422,738)	5,219,237	37,463,835	48,883,080

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2018						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest-bearing	
Financial assets							
Financial assets measured at amortized cost	-	133,803	288,403	5,487,119	1,821,492	172,064	7,902,881
Debt instruments at fair value through other comprehensive income	110,984	54,089	279,209	5,358,674	2,371,283	224,640	8,398,879
Financial assets held under resale agreements	17,137,660	2,942,153	9,998,966	3,541,285	-	88,724	33,708,788
Refundable deposits	883,748	-	-	-	-	2,303,060	3,186,808
Accounts receivable	-	-	-	-	-	3,211,112	3,211,112
Other receivables and prepayments	1,500	2,500	2,549,787	3,362,253	-	1,655,156	7,571,196
Margin accounts receivable	14,701,688	2,574,747	13,061,493	-	-	-	30,337,928
Financial assets at fair value through profit or loss	1,269,882	1,505,376	8,261,113	11,232,757	1,317,145	34,063,065	57,649,338
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	4,848,015	4,848,015
Derivative financial assets	-	-	-	-	-	26,720	26,720
Clearing settlement funds	1,464,660	-	-	-	-	10,758	1,475,418
Cash held on behalf of brokerage clients	29,396,484	50,000	3,740,000	-	-	48,060	33,234,544
Cash and bank balances	8,339,732	45,472	505,000	-	-	37,333	8,927,537
Total	73,306,338	7,308,140	38,683,971	28,982,088	5,509,920	46,688,707	200,479,164

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2018					Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	
Financial liabilities						
Loans and borrowings	(3,967,004)	(304,725)	(1,139,318)	(9,560,497)	-	(10,182)
Short-term debt instruments issued	(3,159,202)	(4,189,346)	(6,405,092)	-	-	(356,033)
Placements from other financial institutions	(4,477,840)	(276,800)	(845,220)	-	-	(9,489)
Accounts payable to brokerage clients	(28,430,554)	-	-	-	-	(7,535,343)
Other payables and accruals	-	(150,476)	(4,035,811)	-	-	(6,957,111)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(287,616)
Financial assets sold under repurchase agreements	(15,922,847)	(3,879)	(6,125)	-	-	(20,968)
Derivative financial liabilities	-	-	-	-	-	(492,824)
Long-term bonds	-	(1,999,762)	(6,476,718)	(39,980,713)	-	(1,060,652)
Other non-current liabilities	-	-	-	(2,805,114)	-	(2,452,638)
Total	(55,957,447)	(6,924,988)	(18,908,284)	(52,346,324)	-	(19,182,856)
Net interest rate risk exposure	17,348,891	383,152	19,775,687	(23,364,236)	5,509,920	27,505,852
						47,159,266

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

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

	Sensitivity of profit after tax	
	2019	2018
Move in yield curve		
- Up 25 basis points	(105,315)	(71,405)
- Down 25 basis points	106,652	72,080
	Sensitivity of equity	
	2019	2018
Move in yield curve		
- Up 25 basis points	(163,473)	(119,527)
- Down 25 basis points	165,697	121,006

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

(ii) Currency risk

	Sensitivity of profit after tax	
	2019	2018
USD	(162,538)	22,051
HKD	280,850	65,368
	Sensitivity of equity	
	2019	2018
USD	(162,538)	22,051
HKD	280,850	65,368

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

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

(iii) Price risk

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

Sensitivity analysis

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

	Sensitivity of profit after tax	
	2019	2018
Increase by 10%	1,918,358	1,518,685
Decrease by 10%	(1,918,358)	(1,518,685)
	Sensitivity of equity	
	2019	2018
Increase by 10%	2,298,797	1,882,286
Decrease by 10%	(2,298,797)	(1,882,286)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which exposed the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2019 and 2018.

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital management

The Group's objectives of capital management are:

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

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and the Calculation Standard for Risk Control Indicators of Securities Companies issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- (ii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8%;
- (iii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100%;
- (iv) The ratio of available stable funds divided by required stable funds shall be no less than 100%;
- (v) The ratio of net capital divided by net assets shall be no less than 20%;
- (vi) The ratio of net capital divided by liabilities shall be no less than 8%;
- (vii) The ratio of net assets divided by liabilities shall be no less than 10%;
- (viii) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%;
- (ix) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500%; and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400%.

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION

(a) Fair value of financial instruments

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

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives and equity instruments at fair value through other comprehensive income are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by the discounted cash flow or other valuation methods.
- (iii) The fair values of long-term bonds and other non-current liabilities — put right liabilities arising from business combination are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimates the fair values using pricing models including the discounted cash flow and binomial pricing model.
- (iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients mainly are within one year. Accordingly, the carrying amounts approximate the fair values.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018 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:

	31 December 2019	31 December 2018
Financial assets		
- Financial assets measured at amortized cost	7,205,866	7,902,881
Financial liabilities		
- Long-term bonds	47,356,464	49,517,845

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

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

Fair value:

	31 December 2019			Total
	Level I	Level II	Level III	
Financial assets				
- Financial assets measured at amortized cost	-	7,412,363	-	7,412,363
Financial liabilities				
- Long-term bonds	-	43,851,014	2,913,658	46,764,672
	31 December 2018			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 liabilities included in Level II above have been determined in accordance with generally accepted pricing models, including the discounted cash flow method, etc.

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

(c) Fair value hierarchy

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

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 with reference to another instrument that is substantially the same.

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

	31 December 2019			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	2,386,027	22,151,306	296,691	24,834,024
– Equity securities	2,684,084	126,088	97,425	2,907,597
– Funds	11,558,973	2,337,602	-	13,896,575
– Others	82	2,873,321	20,891,995	23,765,398
Debt instruments at fair value through other comprehensive income				
– Debt securities	30,885	12,508,526	13,456	12,552,867
Equity instruments at fair value through other comprehensive income				
– Equity securities	30,108	8,000	542,867	580,975
– Other investments	-	4,491,547	-	4,491,547
Derivative financial assets	19	9,220	-	9,239
Total	16,690,178	44,505,610	21,842,434	83,038,222
Liabilities				
Financial liabilities at fair value through profit or loss				
– Structured entities	-	487,266	405,952	893,218
Derivative financial liabilities	42	103,635	-	103,677
Total	42	590,901	405,952	996,895

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

	31 December 2018			Total
	Level I	Level II	Level III	
Assets				
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
– Others	-	4,228,138	13,534,207	17,762,345
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
Total	15,462,149	40,763,080	14,697,723	70,922,952
Liabilities				
Financial liabilities at fair value through profit or loss				
– Structured entities	-	-	287,616	287,616
Derivative financial liabilities	5	492,819	-	492,824
Total	5	492,819	287,616	780,440

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 previously unlisted equity investments being listed on stock 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 thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(i) Financial instruments in Level I

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

(ii) Financial instruments in Level II

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

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

(iii) Valuation methods for specific investments

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III

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

	Financial assets at fair value through profit or loss	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 31 December 2018	14,088,791	534,498	74,434	(287,616)	14,410,107
Transfer in	95,515	12,485	-	-	108,000
Transfer out	(938)	-	-	-	(938)
Gains for the year	(864,526)	-	-	(103,355)	(967,881)
Changes in fair value recognised in other comprehensive income	-	(37,590)	(60,978)	-	(98,568)
Purchases	58,317,274	41,241	-	(14,981)	58,343,534
Sales and settlements	(50,350,005)	(7,767)	-	-	(50,357,772)
As at 31 December 2019	<u>21,286,111</u>	<u>542,867</u>	<u>13,456</u>	<u>(405,952)</u>	<u>21,436,482</u>
Total losses for the reporting period included in profit or loss for assets held at the end of the reporting period	<u>(834,781)</u>	<u>-</u>	<u>-</u>	<u>(103,356)</u>	<u>(938,137)</u>

	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 31 December 2017	3,954,719	-	-	(215,449)	3,739,270
Impact of adopting IFRS 9	<u>3,348,915</u>	<u>569,698</u>	<u>-</u>	<u>-</u>	<u>3,918,613</u>
As at 1 January 2018	7,303,634	569,698	-	(215,449)	7,657,883
Transfer out	(697)	292	129,480	-	129,075
Gains 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>
Total gains/(losses) for the reporting period included in profit or loss for assets held at the end of the reporting period	<u>226,430</u>	<u>-</u>	<u>(53,819)</u>	<u>-</u>	<u>172,611</u>

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

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

Financial assets / liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
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

65. GUARANTEES

During the reporting period, guarantees provided by the Company mainly included the provision of net capital guarantee for Everbright Asset Management, a wholly-owned subsidiary of the Company. As at 31 December 2019, the balance of the above guarantees amounted to RMB5.285 billion.

During the reporting period, guarantees provided by 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 31 December 2019, the balance of the above guarantees amounted to RMB6.994 billion.

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

66. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	<u>31 December 2019</u>	<u>31 December 2018</u>
Non-current assets		
Property and equipment	681,928	737,696
Right-of-use assets	604,785	-
Other intangible assets	85,292	62,739
Investments in subsidiaries	-	9,145,062
Interests in associates and joint ventures	7,136,428	558,030
Financial assets measured at amortized cost	5,569,203	7,606,011
Equity instruments at fair value through other comprehensive income	4,984,971	4,713,654
Debt instruments at fair value through other comprehensive income	8,896,133	7,966,161
Financial assets held under resale agreements	391,235	2,714,072
Refundable deposits	475,700	692,536
Deferred tax assets	1,357,473	951,228
Other non-current assets	127,616	110,705
	<hr/>	<hr/>
Total non-current assets	30,310,764	35,257,894
Current assets		
Accounts receivable	429,120	729,347
Other receivables and prepayments	1,211,665	1,742,212
Margin accounts receivable	27,424,757	22,259,358
Debt instruments at fair value through other comprehensive income	3,677,843	504,381
Financial assets held under resale agreements	7,404,511	24,671,163
Financial assets measured at amortized cost	1,437,022	163,067
Financial assets at fair value through profit or loss	54,281,985	46,346,151
Derivative financial assets	19	6,939
Clearing settlement funds	1,695,433	1,438,077
Cash held on behalf of brokerage clients	27,332,980	20,635,333
Cash and bank balances	4,668,228	3,199,747
	<hr/>	<hr/>
Total current assets	129,563,563	121,695,775
	<hr/>	<hr/>
Total assets	159,874,327	156,953,669

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise specified)

66. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	<u>31 December 2019</u>	<u>31 December 2018</u>
Current liabilities		
Short-term debt instruments issued	4,489,383	14,109,673
Placements from other financial institutions	6,063,705	5,609,349
Accounts payable to brokerage clients	27,058,376	19,706,406
Employee benefits payable	939,243	989,609
Other payables and accruals	3,355,317	5,179,283
Current tax liabilities	488,019	219,058
Financial assets sold under repurchase agreements	23,744,699	13,983,817
Derivative financial liabilities	62,562	453,501
Lease liability due within one year	155,201	-
Contract liabilities	65	-
Long-term bonds due within one year	22,341,476	8,223,152
Total current liabilities	<u>88,698,046</u>	<u>68,473,848</u>
Net current assets	<u>40,865,517</u>	<u>53,221,927</u>
Total assets less current liabilities	71,176,281	88,479,821
Non-current liabilities		
Long-term bonds	22,598,013	38,445,782
Lease liability	437,448	-
Other non-current liabilities	-	2,466,056
Total non-current liabilities	<u>23,035,461</u>	<u>40,911,838</u>
Net assets	<u>48,140,820</u>	<u>47,567,983</u>
	<u>31 December 2019</u>	<u>31 December 2018</u>
Equity		
Share capital	4,610,788	4,610,788
Reserves	34,083,773	33,612,598
Retained profits	9,446,259	9,344,597
Total equity	<u>48,140,820</u>	<u>47,567,983</u>

(All amounts expressed in RMB thousand unless otherwise specified)

67. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Profit distribution plan after the accounting period

On 27 March 2019, based on the total number of 4,610,787,639 ordinary shares of the Company, the Board proposed to distribute cash dividends of RMB0.37 (tax inclusive) per 10 ordinary shares to all the shareholders, with total cash dividends amounting to RMB170,599 thousand (2018: RMB461,079 thousand).

The proposal is subject to the approval by the shareholders at the next general meeting. The cash dividends are not recognised as a liability as at 31 December 2019.

(b) Issuance of corporate bonds after the reporting period

On 11 January 2020, the Company issued a short-term corporate bond with an aggregate principal amount of RMB3 billion, which has a term of 77 days and bears interest at a rate of 2.68%.

On 16 January 2020, the Company issued a corporate bond with an aggregate principal amount of RMB3 billion through non-public offering, which has a term of 364 days and bears interest at a rate of 3.30%.

On 24 February 2020, the Company issued a short-term corporate bond with an aggregate principal amount of RMB2 billion, which has a term of 88 days and bears interest at a rate of 2.49%.

On 9 March 2020, 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 3.19%.

On 12 March 2020, the Company issued a short-term corporate bond with an aggregate principal amount of RMB3 billion, which has a term of 90 days and bears interest at a rate of 2.25%.

(c) Redemption of corporate bonds after the reporting period

On 12 July 2018, the Company issued a Asset-backed securities management schemes with an aggregate principal amount of RMB1,900 million, which has a term of 1.5 years and bears interest at a rate of 5%. The redemption work of this bond was completed on 12 January 2020. The company's principal amount of the current bond was RMB1900 million, and the total interest paid was RMB143 million.

On 16 October 2019, the Company issued a short-term corporate bond with an aggregate principal amount of RMB2 billion, which has a term of 90 days and bears interest at a rate of 2.89%. The redemption work of this bond was completed on 14 January 2020. The Company's principal amount and the total interest paid of the current bond was RMB2 billion, and the total interest paid was RMB14.25 million.

On 18 January 2018, the Company issued a corporate bond with an aggregate principal amount of RMB2 billion through non-public offering, which has a term of 2 years and bears interest at a rate of 5.55%. The redemption work of this bond was completed on 20 January 2020. The company's principal amount of the current bond was RMB2 billion, and the total interest paid was RMB111 million.

On 7 November 2019, the Company issued a short-term corporate bond with an aggregate principal amount of RMB2 billion through non-public offering, which has a term of 76 days and bears interest at a rate of 3.06%. The redemption work of this bond was completed on 22 January 2020. The Company's principal amount of the current bond was RMB2 billion, and the total interest paid was RMB12.74 million.

(All amounts expressed in RMB thousand unless otherwise specified)

67. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (continued)

(c) Redemption of corporate bonds after reporting period (continued)

On 14 February 2017, the Company issued a corporate bond with an aggregate principal amount of RMB2 billion through non-public offering, which has a term of 3 years and bears interest at a rate of 4.45%. The redemption work of this bond was completed on 14 February 2020. The Company's principal amount of the current bond was RMB2 billion, and the total interest paid was RMB89 million.

(d) Impact assessment on epidemic situation of COVID-19

Since January 2020, the prevention and control of COVID-19 has been carried out effectively nationwide. COVID-19 may affect the asset quality or income of the Company in the short term. The Company effectively implements the requirements of the "Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia" issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthens the financial support and control for epidemic prevention. The Company will continue to pay close attention to the development of the situation, evaluate and actively respond to its impact on the Company's financial position and operating results.

68. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020.

APPENDIX

I. Business Qualifications of the Company

Approving Authority	Business Qualification
People's Bank of China	<p>Qualification for proprietary trading business (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81)</p> <p>Investment consultancy and financial advisory businesses (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81)</p> <p>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)</p> <p>Proprietary trading and leasing of gold (Notice on Delivery of Filing Materials, Yin Shi Huang Jin Bei [2015] No. 31)</p> <p>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)</p>
CSRC and its branch offices	<p>Qualification for proxy sales of financial products (Hu Zheng Jian Ji Gou Zi [2012] No. 547)</p> <p>Qualification for proxy sales of open-ended securities investment funds (Zheng Jian Ji Jin Zi [2004] No. 49)</p> <p>Qualification for intermediary introduction for futures (Hu Zheng Jian Ji Gou Zi [2010] No. 121)</p> <p>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)</p> <p>Sponsor underwriting and merger and acquisition businesses</p> <p>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 Han [2015] No. 280)</p> <p>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)</p> <p>Market making for stock index options (Reply on Opinions of Everbright Securities Company Limited in Market Making for Stock Index Options, Ji Gou Bu Han [2019] No. 3065)</p> <p>Market making for stock options (Reply on Approving the Qualification of Everbright Securities Company Limited in Market Making for Stock Options, Zheng Jian Xu Ke [2015] No. 164)</p> <p>Qualification for margin financing and securities lending businesses (Zheng Jian Xu Ke [2010] No. 314)</p> <p>Securities transactions under repurchase agreements (pilot), (Ji Gou Bu Bu Han [2012] No. 459)</p> <p>Qualification for entrusted investment management (Reply on Approving the Qualification of Everbright Securities Limited in Entrusted Investment Management, Zheng Jian Ji Gou Zi [2002] No. 127)</p> <p>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)</p> <p>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)</p>
Securities Association of China	<p>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)</p> <p>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)</p> <p>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)</p> <p>Underwriting of SME private placement bonds (Zhong Zheng Xie Han [2012] No. 374)</p>

APPENDIX

Approving Authority	Business Qualification
Shanghai Stock Exchange	<p>Lead market maker of CSI 300ETF options of Shanghai Stock Exchange (Notice on Everbright Securities Company Limited in carrying out business as the Lead Market Maker of CSI 300ETF Options, Shang Zheng Han [2019] No. 2301)</p> <p>Lead market maker for SSE 50ETF options (Qualification for Lead Market Maker of SSE 50ETF Options, Shang Zheng Han [2016] No. 152)</p> <p>Qualification for participant of stock options transactions of Shanghai Stock Exchange (stock options brokerage, 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)</p> <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>Lead market maker of CSI 300ETF options of Shenzhen Stock Exchange (Notice on approving CITIC Securities and other option agencies to become Market Maker of CSI 300ETF Options on Shenzhen Stock Exchange, Shen Zheng Hui [2019] No. 483)</p> <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 – Hong Kong Stock Connect (Shen Zheng Hui [2016] No. 330)</p> <p>Dealer authority for stock option transactions on Shenzhen Stock Exchange, Shen Zheng Hui [2019] No. 470)</p>
Other Institutions	<p>Market maker of CSI 300ETF stock index options of China Financial Futures Exchange (Notice on Announcing the List of Market Maker of CSI 300ETF Stock Index Options)</p> <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 interbank 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> <p>Margin refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 124)</p> <p>Refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 115)</p> <p>Securities lending refinancing (pilot) (Zhong Zheng Jin Han [2013] No. 45)</p>

APPENDIX

Approving Authority

Business Qualification

Approving Authority	Business Qualification
China Securities Depository and Clearing Co., Ltd.	Adjusting the credit limit of refinancing (Zhong Zheng Jin Han [2014] No. 278, Zhong Zheng Jin Han [2016] No. 28)
	Qualification for Agreed Reporting Refinancing Business on Sci-Tech Innovation Board (pilot) (Zhong Zheng Jin)
	Securities business foreign exchange operation license (foreign currency securities underwriting, foreign currency securities brokerage and foreign currency lending) (Notice of Approving Everbright Securities Company Limited changing the Company name set out in Securities Business Foreign Exchange Operation License) (Shanghai 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)
	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
Shanghai Clearing House	Qualification for settlement of options (Zhong Guo Jie Suan Han Zi [2015] No. 28)
	Qualification for remote account opening for special institutions and products
	Qualification for clearing of bond netting transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Zhun Zi [2015] No. 49)
	Qualification for the central clearing business of standard bond forward transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Zhun Zi [2015] No. 115)
	Notice on Matters regarding Participation in the Centralized Clearing Business of Credit Default Swap (2018 Bian Han No. 355)
	Key dealer of credit risk mitigation tool, December 21, 2018 http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74478.html
	Creator of credit risk mitigation warrant, December 21, 2018 http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74477.html
	Creator of credit-linked notes, December 21, 2018 http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74476.html

II. Business Qualifications of Subsidiaries

Name of Subsidiary	Business Qualification
Everbright Asset Management	<p>License for carrying out securities futures business in the People's Republic of China (serial number: 00000000653)</p> <p>License for qualified domestic institutional investor to carry out overseas securities investment and management business (Reply on Approving the Establishment of a Securities Management Subsidiary of Everbright Securities Company Limited) (Zheng Jian Xu Ke [2011] No.1886)</p> <p>Entrusted insurance fund management http://www.gov.cn/gzdt/2012-10/12/content_2242366.htm</p> <p>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)</p>
Everbright Futures and its subsidiaries	<p>Commodity futures brokerage (CSRC)</p> <p>Financial futures brokerage (CSRC Zheng Jian Qi Huo Zi [2017] No. 297)</p> <p>Qualification for IB business (CSRC Shanghai Bureau, Hu Zheng Jian Qi Huo Zi [2010] No. 74)</p> <p>Futures investment consultancy (CSRC Zheng Jian Xu Ke [2011] No. 1770)</p> <p>Asset management (CSRC Zheng Jian Xu Ke [2012] No. 1499)</p> <p>Sales of public offered securities investment funds (CSRC Shanghai Bureau, Hu Zheng Jian Xu Ke [2017] No. 10)</p> <p>Qualification for the comprehensive settlement of financial futures (Zheng Jian Qi Huo Zi [2007] No.298)</p> <p>Stock options (Shanghai Stock Exchange Shang Zheng Han [2015] No. 168)</p> <p>Everbright Photon: warehouse receipt service, cooperative hedging, pricing service (business name is now changed to OTC derivatives business), basis trading (business name is now changed to basis trade), third-party risk management services (business name is now changed to other business related to risk management services) (China Futures Association Han Zi [2016] No. 364)</p> <p>Business qualifications of Everbright Photon: Market making (China Futures Association Bei Zi [2018] No. 56)</p>
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 Fortune International Leasing	<p>Letter of no objection on ABS business (Shang Zheng Han [2017] No. 1312)</p> <p>PPN registration notice (Zhong Shi Xie Zhu [2017] No. PPN111)</p> <p>SCP registration notice (Zhong Shi Xie Zhu [2018] No. SCP119)</p> <p>Business Permit for Medical Devices(Hu Pu Shi Yao Jian Xie Jing Ying Xu 20150229)</p>
Everbright Fortune	Member as alternative investment subsidiaries (4th Batch of Member as Private Investment Funds Subsidiaries and Alternative Investment Subsidiaries of Securities Association of China)
Everbright Pramerica	<p>License for carrying out securities futures business in the People's Republic of China (serial number: 000000029148)</p> <p>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. 1007)</p> <p>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 [2008] No. 1044)</p> <p>Entrusted insurance fund management</p>

APPENDIX

Name of Subsidiary		Business Qualification	
EBSHK	Sun Hung Kai Investment Services Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities HKEx participant Money lender's license has been expired on July 4, 2018 and will not be renewed	(SFC AAC153) (HKEx certificate number P1709)
	Sun Hung Kai (Nominees) Limited	Associated entity Trust and corporate service provider	(SFC AAS942) (Hong Kong Companies Registry license number TC002563)
	Sun Hung Kai Commodities Limited	Type 2 regulated activity – Dealing in futures contracts	(SFC AAF237)
EBSHK	Sun Hung Kai Forex Limited	Type 3 regulated activity – Leveraged foreign exchange trading Money Service Operator	(SFC ACI995) Hong Kong Customs and Excise Department, license number: 12-09-00833
	SHK Online (Securities) Limited	Type 1 regulated activity – Dealing in securities	(SFC AAC483)
	Sun Hung Kai International Commodities Limited	Type 1 regulated activity – Dealing in securities Type 6 regulated activity – Advising on corporate finance	(SFC AAI430)
	SHK Fund Management Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 9 regulated activity – Asset management	(SFC AAI432)
	China Everbright Securities (HK) Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 6 regulated activity – Advising on corporate finance Type 9 regulated activity – Asset management HKEx participant	(SFC AAW536) (HKEx certificate number P1260)
	China Everbright Forex & Futures (HK) Limited	Type 2 regulated activity – Dealing in futures contracts Type 3 regulated activity – Leveraged foreign exchange trading	(SFC AEX690)
	China Everbright Research Limited	Type 4 regulated activity – Advising on securities	(SFC AEH589)
	China Everbright Capital Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 6 regulated activity – Advising on corporate finance	(SFC ACE409)
	China Everbright Securities Asset Management Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 9 regulated activity – Asset management	(SFC AYE648)
	Sun Hung Kai Wealth Management Limited	General insurance and long-term insurance (including investment-linked long-term insurance) Mandatory Provident Fund intermediary	(Insurance Authority FB1134) (Hong Kong Mandatory Provident Fund Schemes Authority IC000854)
	Sun Hung Kai Insurance Consultants Limited	General insurance and long-term insurance (including investment-linked long-term insurance) Mandatory Provident Fund intermediary	(Hong Kong Insurance Authority FB1019) Hong Kong Mandatory Provident Fund Schemes Authority IC000203)

APPENDIX

Name of Subsidiary	Business Qualification	
China Everbright Wealth Management Limited	General insurance and long-term insurance (including investment-linked long-term insurance)	(Insurance Authority FB1153)
Sun Hung Kai Insurance Agency Limited	Insurance agent	(Insurance Authority FA2265)
Sun Tai Cheung Finance Company Limited	Money lender	(Licensing Office (Money Lender Licensing Section) of Hong Kong Police Force, file number: MLR2132; money lender's license number: 0591/2019)
EBSHK	Sun Hung Kai Bullion Company Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: – 99 Tael Gold – 999.9 Kilo Gold HKD – Loco London Gold – Loco London Silver
	Sun Hing Bullion Company Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: – 99 Tael Gold – 999.9 Kilo Gold HKD
	Shun Loong Bullion Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: – 99 Tael Gold – 999.9 Kilo Gold HKD
	Everbright Sun Hung Kai (UK) Company Limited	Dealing in securities; advising on securities; studying China's macro policies, industry policies and A shares (through Everbright Securities, its subsidiary in Shanghai); and cross-border conversion institution for global depository receipt in UK for the Shanghai-London Stock Connect program
		(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M761; membership number: 044) (The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M760; membership number: 040) (The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M768; membership number: 068) (Registration Number of English corporate: 07106467, a member of London Stock Exchange and registered in UK Financial Conduct Authority-Ref. NO.: 524544, Chinese Depository Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange-Shang Zheng Han [2019] No. 2141)