

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

2020 INTERIM REPORT



光大證券
EVERBRIGHT SECURITIES

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IMPORTANT NOTICE

1. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this interim 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.
2. This report was reviewed and passed at the 26th meeting of the fifth session of the Board of the Company. The number of Directors that should attend the Board meeting was 11 and the number of Directors having voted at the Board meeting was 11. None of the Directors or Supervisors has made any objection to this report.
3. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the International Financial Reporting Standards and have not been audited, while having been reviewed by Ernst & Young. Unless otherwise stated, the data set out in this report is denominated in RMB.
4. Mr. Yan Jun, the person-in-charge of the Company, 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 interim report.
5. Forward-looking statements included in this report, including future plans and development strategies, do not constitute actual commitment of the Company to the investors. The investors should be reminded of the risks of investment.
6. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholders or their related parties during the Reporting Period.
7. The Company has not provided any external guarantees in violation of the prescribed decision-making procedures during the Reporting Period.
8. The Company had no plan of cash dividend distribution and bonus share proposals or proposal for transfer of capital reserve fund into capital for the first half of 2020.
9. The Company prepared this interim report in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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
ABN	notes backed by assets
Articles of Association	articles of association of the Company
AUM	assets under management
Board, Board of Directors	the board of Directors of the Company
CDR	China Depository Receipt
China or PRC	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
CMBN	commercial mortgage – backed notes
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, the parent 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)
Dacheng Fund	Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company
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
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 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
Everbright Yunfu	Everbright Yunfu Internet Co., Ltd. (光大雲付互聯網股份有限公司)
FICC	Fixed-income, Currencies and Commodities
FOF	fund of funds, which means funds dedicated to investing in other securities investment 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
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)

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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
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
PPP	Public-private Partnership
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 first half of 2020 (January 1, 2020 to June 30, 2020)
SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
Sci-tech Innovation Board	the science and technology innovation board launched by the Shanghai Stock Exchange
securitization, ABS	financing through issuance of tradable securities backed by specific asset portfolios or cash flows
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
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 (新鴻基金集團有限公司), whose equity interest is held 70% and 30% by EBSHK and Sun Hung Kai & Co. Limited, respectively
SSE	Shanghai Stock Exchange
SSE Listing Rules	Shanghai Stock Exchange Listing Rules

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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
Wind	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a company incorporated in the PRC in 1994 with limited liability and an integrated service provider of financial data, information and software, being an independent third party

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

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 "I. Discussion and Analysis on Business Operation" 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
General manager of the Company	Mr. Liu Qiuming
Secretary to the Board	Ms. Zhu Qin
Company Secretary	Dr. Ngai Wai Fung
Authorized representatives	Mr. Yan Jun and Dr. Ngai Wai Fung

Registered capital and net capital of the Company

Unit: RMB

	As at June 30, 2020	As at December 31, 2019
Registered capital	4,610,787,639.00	4,610,787,639.00
Net capital	39,374,835,157.49	36,581,036,500.42

Business qualifications

Securities brokerage, securities investment consulting, financial advisory relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment funds, margin financing and securities lending business, proxy sale of financial products, market making of stocks and options and other businesses approved by the CSRC.

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

II. Contact Person and Information

Secretary to the Board and Representative of Securities Affairs

Name	Ms. Zhu Qin
Contact address	No.1508 Xinzha Road, Jing'an District, Shanghai, PRC
Telephone	021-22169914
Facsimile	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, PRC
Postal code of the registered address of the Company	200040
Office address of the Company	No.1508, Xinzha Road, Jing'an District, Shanghai, PRC
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	12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong

IV. Information Disclosure and Place of Inspection

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

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

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. Key Accounting Information and Financial Indicators of the Company

(I) Key Accounting Information and Financial Indicators

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

Item	January to June 2020 (RMB' 000)	January to June 2019 (RMB' 000)	Variance as compared to the last corresponding period
Operating results			
Total revenue and other income	8,950,284	8,622,714	3.80%
Profit before income tax	2,986,106	2,234,283	33.65%
Net profit attributable to shareholders of the Company	2,151,890	1,609,065	33.74%
Net cash generated from/(used in) operating activities	(329,554)	31,756,504	N/A
	(RMB/share)	(RMB/share)	
Earnings per share			
Basic earnings per share	0.47	0.35	33.74%
Diluted earnings per share	0.47	0.35	33.74%
Index of profitability			
Weighted average returns on net assets (%)	4.44	3.35	Increased by 1.09 percentage points

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Item	As at June 30, 2020 (RMB' 000)	As at December 31, 2019 (RMB' 000)	Variance as compared to the end of the last corresponding period
Scale indices			
Total assets	205,038,132	204,090,347	0.46%
Total liabilities	154,109,676	155,071,539	(0.62)%
Accounts payable to brokerage clients	53,292,258	45,710,991	16.59%
Equity attributable to shareholders of the Company	49,353,105	47,444,725	4.02%
Total equity	50,928,456	49,018,808	3.90%
Total share capital ('000 shares)	4,610,788	4,610,788	–
Net assets per share attributable to shareholders of the Company (RMB/share)	10.70	10.29	4.02%
Gearing ratio (%) ^(Note)	66.44	69.05	Decreased by 2.61 percentage points

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

The net profit from January 1, 2020 to June 30, 2020 and January 1, 2019 to June 30, 2019 and the net assets as of June 30, 2020 and December 31, 2019 as stated in the consolidated financial statements of the Company prepared in accordance with International Accounting Standards are consistent with those prepared in accordance with the PRC GAAP.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Item	As at June 30, 2020 RMB' 000	As at December 31, 2019 RMB' 000
Core net capital	37,874,835	35,081,037
Subordinate net capital	1,500,000	1,500,000
Net capital	39,374,835	36,581,037
Net assets	50,035,267	48,140,820
Provisions for risk capital	14,149,129	12,683,548
On-balance sheet and off-balance sheet assets	133,598,024	136,365,913
Risk coverage ratio (%)	278.28	288.41
Capital leverage ratio (%)	30.30	27.82
Liquidity coverage ratio (%)	233.08	222.54
Net stable funding ratio (%)	153.08	132.15
Net capital/Net assets (%)	78.69	75.99
Net capital/Liabilities (%)	49.06	43.20
Net assets/Liabilities (%)	62.34	56.85
Value of proprietary trading of equity securities and derivative securities/Net capital (%)	25.97	21.64
Value of proprietary trading of non-equity securities and derivative securities/Net capital (%)	173.70	194.86

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

As of June 30, 2020, such indicators were calculated according to the new Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》), and the opening indicators do not need to be adjusted in accordance with the Completion Requirements for the Regulatory Statement of Risk Control Indicators of Securities Companies (《證券公司風險控制指標監管報表填報口徑》) issued by the CSRC Shanghai Bureau.

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 June 30, 2020, 134 securities firms in the industry 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 total assets, net assets, net capital, capital balance of customers' transaction settlement (including margin transaction) and total principal amount of funds under management of the 134 securities firms were RMB8.03 trillion, RMB2.09 trillion, RMB1.67 trillion, RMB1.64 trillion and RMB11.83 trillion, respectively. (All industrial information was retrieved from the public disclosure of the SSE and the SZSE, Wind Info, the Securities Association and the Funds Association)

(I) The Company's Principal Business Model

Wealth management business segment: The Company provides brokerage and investment consulting services for retail clients to earn fee and commission, holds cash on behalf of clients to earn interest income, and sells financial products developed by the Company and other financial institutions to earn commission fee; and earns interest income from margin financing and securities lending, collateralized stock repurchase transactions, securities transactions under repurchase agreement and stock option exercise with respect to share incentive schemes of listed companies.

Corporate financing business segment: The Company provides one-stop direct financing services for corporate customers and government customers, such as equity financing, debt financing, merger and acquisition financing, NEEQ and structural financing, asset securitization and financial advisory service, to earn fee and commission, and also earns income from financial leasing business carried out by Everbright Leasing.

Institutional customer business segment: The Company earns fee and commission by providing integrated services such as investment research and prime brokerage services to institutional clients.

Investment trading business segment: On the premise of value investment and steady operation, the Company engages in various investment in and trading of stocks, bonds and derivatives to earn investment income.

Asset management business segment: The Company provides institutional and individual clients with various securities assets management services and fund assets management services to earn management and advisory fees.

Equity investment business segment: The Company generates income from private equity investment, alternative investment and PPP businesses.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

(II) Description of Industrial Situation during the Reporting Period

Global Economic Situation:

In the first half of 2020, the uncertainties of international economic situation increased. The epidemic led to a slowdown in global economic growth, which in turn caused a decline in foreign demand, readjustment of global industrial and supply chains, and superimposed trade protectionism. According to the forecast in the Global Trade Statistics and Outlook 《全球貿易數據與展望》 released by the World Trade Organization in June 2020, the global trade volume of goods fell by 3% year-on-year in the first quarter of this year and was expected to decline by as high as approximately 18.5% in the second quarter. Meanwhile, the uncertainty caused by global and regional political and economic frictions and conflicts rose sharply, further exacerbating the global economic downward pressure. Under the pressure of economic downturn, central banks around the world began to introduce easing monetary policies and the liquidity was abundant.

China's Economic Situation:

In the first half of 2020, China's GDP reached RMB45.6614 trillion, down by 1.6% as compared with the same period of last year. On a quarterly basis, China's GDP fell by 6.8% year-on-year in the first quarter and rose by 3.2% in the second quarter. The epidemic prevention and control situation continued to improve, and the resumption of work, production, business and market was accelerated. In the first half of the year, China's economy showed down first and then rose. In the second quarter, China's economic growth turned from negative to positive, major indicators saw recovery growth, economic operation recovered steadily, basic livelihood was effectively guaranteed, market expectations generally improved, and overall social development was stable. Since 2020, the People's Bank of China has made positive response to the new challenges posed by the COVID-19 pandemic, introduced more flexible, modest and prudent monetary policies, continued to optimize the credit structure, improved the structured system of monetary policy tools, innovated monetary policy tools that directly serve the real economy, and guided financial institutions to increase financing support for the real economy, especially for small and micro businesses and private enterprises. On the whole, currently the liquidity is reasonably ample, and the growth rates of broad money supply and social financing scale are higher than those of last year.

Overview of the Capital Market:

In the first half of 2020, reform of the capital market continued to deepen. From the implementation of new refinancing rules and new Securities Law of the PRC, continuous reform of the NEEQ and introduction of the GEM registration system, to the full lifting of QFII investment quota, amendments to the compilation method of the Shanghai Composite Index, introduction of the SSE STAR 50 index and lifting of proportion requirement for insurance capital equity investment, the deepening reform initiatives for capital market were implemented continually, and China's capital market reform entered a stage of substantial acceleration. At the same time, the entry of foreign capital and the establishment of foreign securities firms brought new opportunities and challenges to China's securities firms, which would not only bring business increment, but also pose higher requirements for domestic securities firms on the capital strength, innovation capability and financial technology strength.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

Industry Overview:

In the first half of 2020, benefiting from such factors as the recovery of the capital market, accelerated openness of the industry and the regulatory orientation to comprehensively deepen the capital market reform, the revenue from the securities brokerage, investment banking and proprietary trading, assets management and other business increased. According to the data released by the Securities Association of China, the operating income of securities firms amounted to RMB213.404 billion during the first half of 2020. In respect of their core operating income, net income from the securities trading agency service business (including trading unit seats rental) was RMB52.310 billion, net income from the securities underwriting and sponsorship business was RMB22.110 billion, net income from the financial advisory services business was RMB3.207 billion, net income from the investment advisory service business was RMB1.990 billion, net income from the asset management business was RMB14.291 billion, net interest income was RMB27.566 billion and income from the securities investment business (including changes in fair value) was RMB70.274 billion. During the first half of 2020, such firms recorded net profit of RMB83.147 billion, of which 124 securities firms were profitable.

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

The major assets of the Company include monetary assets, clearing settlement funds, margin accounts, financial assets held under resale agreements, long-term equity investment and financial product investments. For details of the changes in the major assets during the Reporting Period, please refer to "(II)2. Analysis on principal components of consolidated statement of financial position" of Section IV "Report of the Board" in this report. Of which: Overseas assets of the Company reached RMB25.058 billion, representing 12.22% of the total assets.

III. Analysis of 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. It has a complete set of financial services licenses and featured businesses related to environmental protection, tourism, healthcare, high-tech industry and has established agencies and business presence at home and abroad. Everbright Group is a state-owned large-scale comprehensive finance holding group characterized by its overall finance, the integration of industry and finance and the combined advantages of Chinese Mainland and Hong Kong, and is included in Global 500. 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 one of the core financial service platforms of the Group, the Company adheres to the business philosophy of the Group and is committed to satisfying the direct financing demand of the real economy. By virtue of the vast platform and the extensive resources of Everbright Group, the Company will continue to broaden its own horizon to take insight on the changes in the industry and explore the customers' demand profoundly.

(II) Firm strategy execution

2020 is the first year for the Company to comprehensively implement its new strategy. Adhering to the fundamental principle of "pursuing progress amid stability, seeking opportunity amid changes and seeking innovation amid progress" and taking "establishing a first-class investment bank in China" as our strategic goal, the Company unswervingly promoted the transformation of "marketization, specialization and intensification". During the Reporting Period, the principal operational indicators of the Company improved significantly as a result of the Company's continuous efforts in optimizing the allocation of key resources and improving our services in line with the business strategy.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

(III) Distinctive synergy

With the guidance of the E-SBU coordinated development strategy, the Company continuously enhanced its cooperation with companies comprising the Group and realized synergies in aspects such as customer base expansion and channel exploration. The Company has led the establishment of the Group's investment banking E-SBU, strived to establish an investment banking 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 with a view to realizing integration of resources and exploration of markets in a larger range.

The Company is committed to building an ecosystem of coordinated business development and providing diversified financial products and services to domestic and overseas customers under the "customer-centric" operational philosophy. Full internal and external coordination has created balanced and stable revenue streams for the Company.

(IV) Corporate financing business with leading value

The Company strives to capture the opportunities brought by the capital market reform to advance the business development through reform and innovation and build a "star" team for equity and debt financing business with an aim to promote continuous development of specialization. During the Reporting Period, the net income of the Company's investment banking business ranked 5th in the industry. In particular, the number of companies whose stocks were underwritten by the Company increased significantly and ranked 6th in the industry and the ranking of the Company's stock underwriting scale jumped to 12th in the industry. The debt financing business maintained its leading position in the industry the ranking of revenue from underwriting remained among Top 4 and the ranking of underwriting scale remained among Top 8 in the industry, and the asset securitization continued to maintain its leading position in the innovation market. The Company continued to promote the innovation of products and services creating many firsts in the industry. During the Reporting Period, the Company provided supports in major asset reorganization of enterprise in a national level impoverished region, participated in the underwriting of the first green bonds in pilot demonstration area in the PRC, developed "Guangsui (光穗)" series of asset securitization products and provided brand new financial instruments to central enterprises and state owned enterprises for the purposes of lowering leverage ratio and reducing liability.

(V) Outstanding brand influence

The Company has been recognized as "Best Securities Company of the Year" (年度最佳證券公司) for three consecutive years and was awarded "Top 100 Companies of Financial Innovation 2019" (2019金融創新百強) and was recognized as "Best Domestic Investment Bank for the Year of 2019" (2019年度本土最佳投行), etc. During the Reporting Period, the Company continued to leverage the advantages brought by Everbright brand and the platform of Everbright Group to steadily improve the Company's brand recognition and public influence. The Company received a number of awards including "The Awards of Sci-Tech Innovations for 2020 – Best Sci-Tech Innovation Brokerage Firm" (2020科創之星 – 最佳科創服務券商) and "Outstanding Securities Company Short-term Bonds Issuer" (優秀證券公司短融發行人) by China Securities Depository and Clearing Corporation Limited (CSDC) and was granted the certification of securities investment fund custodian. Everbright SHK, a brand the Company operates in Hong Kong, maintained its leading position in the field of wealth management and was awarded "Junding Award for Comprehensive Securities Brokers in Hong Kong" (香港全能證券經紀商君鼎獎).

SECTION IV REPORT OF THE BOARD

I. Discussion and Analysis on Business Operation

In the face of complex and ever-changing market environment and under the leaderships of the Party Committee and the Board of the Company, the Company has unified ideological understanding, built development consensus, restructured the operation and management mechanism, continued to seek improvement in stability and opportunities in changes, returned to the source of the industry and strengthened the six business segments. Through optimizing the intensive management and coordinated development mechanism, we have effectively grasped the opportunities of increasing proportion of direct financing and deepening reform of capital market, accelerated our business innovation and market expansion, and achieved an overall positive business performance. As of June 30, 2020, the Company recorded accumulative revenue and other income of RMB8.950 billion, representing a year-on-year increase of 3.80%, and recorded net profit attributable to the shareholders of the listed company of RMB2.152 billion, representing a year-on-year increase of 33.74%. The Company has been rated a Class A company among securities firms for consecutive years, and maintained Moody's Baa3 international credit rating with a stable rating outlook.

(I) Principal Business Lines during the Reporting Period

The Company's main business lines include wealth management business segment, corporate financing business segment, institutional customers business segment, investment trading business segment, asset management business segment and equity management business segment.

Table 1 Table of the principal businesses by segments

Unit: RMB' 000

Item	January to June 2020				January to June 2019			
	Segment revenue		Segment expenses		Segment revenue		Segment expenses	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Wealth management business segment	3,762,841	42%	2,704,654	45%	3,782,990	44%	2,605,122	41%
Corporate financing business segment	1,399,945	16%	756,912	13%	986,532	11%	653,428	10%
Institutional customers business segment	567,492	6%	217,973	4%	478,038	6%	225,777	4%
Investment trading business segment	1,174,138	13%	272,796	5%	1,305,055	15%	444,696	7%
Asset management business segment	1,062,978	12%	568,341	9%	882,616	10%	519,374	8%
Equity investment business segment	48,299	1%	371,683	6%	404,246	5%	749,156	12%

1. Wealth Management Business Segment

The Company's wealth management business segment mainly includes the retail business, margin financing and securities lending, collateralized stock repurchase transactions, futures brokerage business and overseas wealth management and brokerage business.

In the first half of 2020, such business segment realized revenue of RMB3.8 billion, representing 42% of the total revenue.

(1). Market environment

In the first half of 2020, the trading volume and activity of securities continued to improve, and the average daily turnover of stocks increased by 29% year-on-year. The competition landscape in the industry continued, the commission rate continued to decline, and the business space from traditional channels was further compressed, which has promoted the securities firms to accelerate the transformation to wealth management and digitization. In the first half of 2020, the futures market was active, and according to statistics from the China Futures Association, the accumulated trading volume in the national futures market was 2.522 billion lots and the accumulated turnover was RMB165,466.052 billion, representing a year-on-year increase of 45.35% and 28.70%, respectively.

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With the recovery of the A-share market, the scale of margin financing and securities lending has expanded. As of June 30, 2020, the balance of margin financing and securities lending in the whole market was RMB1,163.767 billion, representing an increase of 14.17% as compared with the end of 2019, among which the balance of margin financing and securities lending was RMB1,131.374 billion and RMB30.435 billion, respectively, representing an increase of 12.52% and 120.81% as compared with the end of 2019, respectively. The scale of collateralized stock repurchase transactions showed an overall contractive trend, and the effect of measures to prevent and resolve risks was obvious. According to the statistics from the Securities Association of China, the lending of collateralized stock repurchase transactions from securities firms' proprietary funds in the whole market was RMB387.750 billion as of the end of April 2020, representing a decrease of 10.07% as compared with the end of 2019.

Overseas securities markets were more uncertain. As of June 30, 2020, the Hang Seng Index dropped 13.35% from the end of 2019 to 24,427; and huge market volatility triggered an active market, with an average daily turnover of approximately HK\$117.5 billion in Hong Kong stocks market, representing an increase of 20% year-on-year.

(2). *Operation initiatives and results*

(i) **Retail business**

In the first half of 2020, the Company's brokerage business continued to transform from a single channel model to a "brokerage + wealth management" two-wheel driven model, built the key "customer service system construction" project comprised of four modules, namely customer relationships, team building, product implementation and tool support, utilized the financial science and technology to build an efficient, integrated and smart "intelligent supporting system", and promoted the realization of technology-led business through empowering customers, enabling industries, operation and controlling. The Company optimized the layout of securities brokerage outlets and gradually improved the efficiency of branches. In the first half of the year, 210,000 new accounts were opened, representing a year-on-year increase of 23%; and the customer structure was further optimized, as the number of high-net-worth customers increased by 9% compared with the end of 2019. As of June 30, 2020, the market share of net income from securities trading on behalf of customers (including seats leasing) of the Company was 2.28%, ranking 15th in the market.

The optimization of financial product development and sales services has supported the Company's further transformation to wealth management. Through continuous optimization of the introduction process of financial products and promotion of the introduction efficiency of financial products, the Company has continued to enrich the offering and quantity of our financial products. Closely following the industry trend in the first half of 2020, the Company enhanced the introduction of quality public and private placement products and grasped the market pulse to distribute ETF products, leading the sales volume of financial products to grow for several consecutive years. The Company has further improved the product evaluation and asset allocation ability and established preferred fund pool and fund portfolio with an aim to help customers maintain and increase values, and provided buyer services to build the construction of famous fund allocation products. The Company has strengthened the resource investment in strategic development to continuously improve the product quality of the "Golden Sunshine Wealth Management Plan". With continuous optimization of the financial product system and the establishment of a diversified product matrix, the Company has been committed to providing customers with "one-stop financial supermarket" services to meet their wealth management needs.

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The continuous improvement of our online operation and service has facilitated the further digital transformation of the Company. In the first half of 2020, the Company continued to improve the user experience of its "Golden Sunshine" App, preliminarily established a service system covering "pre-investment, investment and post-investment" for customers, with the total number of business transactions types reaching over 30; according to Analysys, the monthly active users of "Golden Sunshine" App was 2.41 million in June 2020, reaching a record high and the number of users increased by 11% as compared to the end of 2019 and the App won the first "Best Broker for Intelligent Financial Practice Award" (最佳券商智慧金融實踐獎) by New Fortune. Notable results have been achieved for various service operations. The users of "Everbright Securities Store" increased by 71%, the users of our financial community services increased by 16% and the number of subscribers of "Smart Investment Rubik's Cube" increased by 30%.

(ii) Margin financing and securities lending

In the first half of 2020, through actively taking various effective operational measures, the Company focused on high net worth individual customers and institutional customers, actively mitigated and eliminated business risks in a prudent manner and improved the business scale of our margin financing and securities lending business. As of June 30, 2020, the balance of margin financing and securities lending was RMB30.945 billion, representing an increase of 12.81% as compared to the end of 2019 with the market share reaching 2.66%. The balance of securities lending was RMB414 million with the market share reaching 1.36%.

(iii) Collateralized stock repurchase transactions

In the first half of 2020, the Company continuously optimized the structure of collateralized stock repurchase transactions and implemented strict project quality control to mitigate business risks. As of June 30, 2020, the amount of collateralized stock repurchase transactions was RMB7.599 billion, of which RMB5.068 billion was funded with the Company's internal funds with the average coverage ratio being 255.59%; the lending amount in respect of asset management products and others was RMB2.531 billion.

(iv) Futures brokerage business

In the first half of 2020, Everbright Futures further enhanced its brokerage business and strove to develop a comprehensive business model and optimized the structure of revenue streams by using innovative operational measures such as asset management and risk management with a view to accelerate the process of transformation into a futures company focusing on wealth management. In the meantime, Everbright Futures further improved the management of its internal funds to improve the utilization efficiency and return of the funds. As of June 30, 2020, Everbright Futures recorded a daily average margin of RMB10.693 billion, with its trading volume representing a market share of 2.21%. In particular, the trading volume of Everbright Futures represented 1.71%, 1.62%, 3.09%, 3.28% and 1.28%, respectively, of the total trading volume of China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and the Energy Center. From January to June 2020, its total trading volume of SSE 50ETF stock options represented a market share of 1.74%.

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(v) Overseas wealth management brokerage business

In the first half of 2020, Everbright SHK proactively made adjustments and established the development target of “becoming a leading wealth management platform in the financial market in Hong Kong under a customer-centric strategy”. As of June 30, 2020, Everbright SHK had 130,000 accounts under its wealth management and brokerage business, the total assets under management on a trust basis reached HK\$74.2 billion and the scale of margin financing reached HK\$7.191 billion. According to the latest ranking of participant’s transaction amount for the first half of 2020 published by The Stock Exchange of Hong Kong Limited, the transaction amount of Everbright SHK is approximately HK\$100 billion, representing 0.37% of the total market trading amount in Hong Kong. Besides the increase of the trading volume of the traditional H shares, the revenue from US stocks and structured products also increased significantly by approximately 240% and 43%, respectively.

(3). Outlook for the second half of 2020

In the second half of 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, and continue to deepen and promote the construction of customer service systems. The Company will strive to promote the brand building of the sale of financial products of Everbright Securities through enhancing our efforts in the introduction of top public offerings and star private equity products and promote the online and offline coordinated digital wealth management business development through technological empowerment, to deepen the reform of wealth management. The Company will closely follow the development trend of the market, strengthen strategy service and capture the development opportunities of security lending business while maintaining strict control over business risks, and will also continue to optimize the structure of collateralized stock repurchase transactions, cultivate the base of core customers and effectively create value. The wealth management and brokerage business of Everbright SHK will further optimize the customer hierarchical management, focus on the development of high-net-worth customers, commence customer experience plan, improve service quality and enhance customer stickiness.

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2. Corporate Financing Business Segment

Our corporate financing business segment mainly includes equity financing business, debt financing business, overseas investment banking business and finance lease business.

In the first half of 2020, the business segment achieved business income of RMB1.4 billion, accounting for 16%.

(1). Market environment

In the first half of 2020, new rules governing refinancing business and reformation on registration system for the ChiNext Market further promoted the development of capital market towards marketization and legalization, and investment banks ushered in a period of rapid business growth. The CSRC announced the launch of the comprehensive deepening reform of the NEEQ to further accelerate the reform of the financial system and to improve the basic system of the capital market, therefore achieved multi-tiered capital market connectivity. According to the statistics from Wind, as of June 30, 2020, A-share equity financing amounted to RMB648.7 billion, increased by 6% year-on-year; proceeds raised from IPO amounted to RMB139.3 billion, increased by 131% year-on-year; 119 companies completed IPO, increased by 80% year-on-year; and the refinancing amounted to RMB482 billion, decreased by 2.5% year-on-year. The bonds underwritten by securities companies reached RMB4.38 trillion, increased by 29.20% year-on-year. However, with the intensified market competition, the leading brokers' ranking changed greatly, and the market competition for ranking was fierce. In addition, the defaulting situation in the bond market has worsened, which further raised the difficulties in advancing bond underwriting business. The China Banking and Insurance Regulatory Commission promulgated the Interim Measures for Supervision and Administration of the Financial Leasing Companies 《融資租賃公司監督管理暫行辦法》, and further strengthened supervision over the finance leasing industry.

Hong Kong's capital markets became less active as in terms of equity financing, a total of 59 new shares were listed, decreased by 22% year-on-year; in terms of bond financing, the offshore bond market has undergone major fluctuations due to lack of liquidity, resulting in total Chinese-funded offshore bonds issued amounting to USD114.6 billion, decreased by approximately 10% year-on-year.

(2). Operation initiatives and results

(i) Equity financing business

In the first half of 2020, the Company insisted on improving the quality and efficiency of the investment banking business, vigorously promoted the implementation of projects and achieved relatively large breakthroughs in performance. According to statistics from Wind, the Company completed securities underwriting for 18 companies and ranked No. 6 in the market, moving up 5 places as compared to the previous year. The underwriting amount of equities amounted to RMB7.530 billion, representing an increase of 95% as compared with the same period of the previous year (excluding number and amount of underwriting of exchangeable bonds). The revenue from equity underwriting of the Company ranked No. 4 in the industry in the first half of 2020. Among them, the Company completed IPO underwriting for 11 companies, ranking 3rd in the market, with an underwriting amount of RMB5.466 billion, 4 of which were companies in the Sci-tech Innovation Board market, with an underwriting amount of RMB2.520 billion. The Company completed refinancing transactions for five companies, with an underwriting amount of RMB1.423 billion, and completed mergers and acquisitions and reorganization transactions for three companies and provided financial consultant services for three companies.

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The Company introduced new products such as quoted bonds in the selected list and convertible bonds privately issued to placees and financiers by closely monitoring the market situation, to promote the business mode with the synergy of “customer acquisition + underwriting” and achieve the business mode of “investment banking + investment”. The Company also insisted on the coordinated development and established new customer marketing model to further increase the equity financing project pipelines. According to statistics from Wind and the Company, as of June 30, 2020, for IPO projects, the Company had one approved to be listed and 13 pending for approval, one of which was approved and 2 of which were pending for approval in the Sci-tech Innovation Board, ranking No. 20 in the industry; in terms of refinancing projects, one was approved to commence and 10 were pending for approval, one of which was approved; one mergers and acquisitions project was approved. The Company had recommended a total of 263 companies to be quoted on the NEEQ as the lead sponsor, with a total amount of financing from stock issuance of RMB25.013 billion, and a total of 11 companies succeeded in being quoted on the NEEQ.

(ii) Debt financing business

In the first half of 2020, the Company continued to consolidate its advantages in bond underwriting, and completed 708 projects, representing a year-on-year increase of 29.43%, with an underwriting amount of RMB151.051 billion and a market share of 3.50%, ranking No. 8 in the industry. The underwriting amount of the asset securitization business was RMB34.420 billion, with a market share of 5.00%, ranking No. 7 in the industry. In the first half of the year, the Company ranked No. 4 in the industry in terms of revenue from bond underwriting, with sufficient projects in pipeline. The Company increased efforts in financing innovation and completed the first domestic central enterprise innovative ABN project, the first trust asset ABN project and the first batch of innovative ABN project. Meanwhile, the Company is also pushing forward several innovative projects, including infrastructure REITs project, and maintaining the leading position in the innovation market of asset securitization business. The Company won the Annual Award for the Innovative Institution of the Sixth China Securitization Forum.

Table 1 Underwriting amount major types of bonds of the Company and the number of projects issued

Type of bonds	Underwriting amount (RMB hundred million)	Number of projects issued	Industry ranking
Interbank products (including medium-term notes, short-term financing bonds and private placement notes)	337.25	89	3
Corporate bonds	296.93	62	13
Asset securitization	344.2	183	7
Non-policy financial bonds	169.99	13	13
Local government bonds	305.64	355	6
Others	56.5	6	/

Note: Others include the corporate bonds and exchangeable bonds

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(iii) Overseas investment banking business

In the first half of 2020, Everbright SHK leveraged on its advantages as an overseas business platform and complemented with the domestic business team to jointly expand the market and create an investment banking ecosystem. It completed 6 IPO of H share underwriting projects and 4 bond underwriting projects, ranking No. 9 in the Hong Kong market in terms of the number of IPO underwriting projects. The company had sufficient projects in pipeline. Several projects for providing financial advisory services, IPO projects and bond projects are proceeding. Since unprofitable biotech companies are permitted to list on the Hong Kong Stock Exchange under the revised Listing Rules, a total of 18 companies of such kind have sought the initial public offerings in Hong Kong, of which Everbright SHK participated in the underwriting of 4 companies and accumulated relatively extensive experience in the sector.

(iv) Financial leasing business

Everbright Leasing continued to stick to the bottom line of risk management, insisted on professional operation and actively carried out innovative transformation. As of June 30, 2020, Everbright Leasing completed investment in a total of 8 new projects with an investment amount of RMB505 million in financial leasing business, cumulatively completed investments with a total investment amount of RMB13.7 billion and cumulatively generated rental income of RMB11.1 billion. The balance of financial lease receivables amounted to RMB3.4 billion at the end of the Reporting Period.

(3). Outlook for the second half of 2020

In the second half of 2020, the Company will continue to improve the quality of equity financing business, further strengthen the pricing and sales ability of investment banking business, lay a solid foundation for the pricing of investment banking projects and make well preparation for the issuance and sales of investment banking projects according to the market principle while ensuring the smooth advancement of projects in issue, to be issued, pending for approval and to be reported. The Company will give full play to its high-quality NEEQ project pipeline and leverage the demonstration effect of the successful case in the selected list to refine the quotation business and improve NEEQ transfer business. In terms of debt financing business, the Company will continue to earnestly implement key customer strategy, actively accumulate and develop key customer projects; increase efforts in expanding asset securitization business, enrich basic assets and continue to expand the structure of innovative transactions; continue to enhance the compliance and risk control requirements during the business operation, and make the payments for the bonds due and payable in a timely manner. The Company will strengthen the domestic and overseas coordination and cooperation to provide comprehensive financing solutions for enterprises.

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3. Institutional Customers Business Segment

Institutional customer business segment mainly comprises institutional trading, prime brokerage business, asset custodian and outsourcing business, investment research and overseas institutional sales business.

In the first half of 2020, the business segment realized revenue of RMB0.6 billion, accounting for 6% of the Group's total revenue.

(1). Market environment

In the first half of 2020, institutional clients put forward higher requirements on the professional and personalized services of brokers. In order to meet the diversified demands of clients, securities companies further enriched their business modes, which continued the trend of increasingly intensified competition for trade allocation and highlighted the advantages of leading companies in the industry. Securities firms with advantages in capital strength, comprehensive financial service capabilities, and research teams will have greater room for development in the future. The private equity investment fund industry has ushered in the development landscape of healthy competition. The total management scale of private equity institutions has recorded steady growth and successive establishment of subsidiaries engaged in bank wealth management has further expanded the market space for prime brokerage business. The development of private equity investment funds also provides greater market space for securities companies to carry out custodian and outsourcing business in the field of private equity investment funds. The business for outsourcing services on the registration of trust shares is subject to restrictions on market development imposed by the Interim Measures for the Administration of Fund Trusts of Trust Companies (Exposure Draft) issued by China Banking and Insurance Regulatory Commission.

(2). Operation initiatives and results

(i) Institutional trading

In the first half of 2020, facing the trend of increasingly intensified competition for trade allocation, the Company adjusted the push method of investment research services and ensured offering uninterrupted service to its customers by promoting the organic integration of online and offline services. The Company actively integrated and utilized the advantageous resources of the Group and the Company to enrich its means of customer services, strengthened coordination and linkage, and continued to promote cross-selling. The Company increased its efforts to serve key customers, strengthened our plans for service marketing and carried out differentiated services, which further improved the quality of institutional customer service. As of June 30, 2020, the market share of net income from seats commission of Company was 3.59%, the share of trading volume of the institutional securities business amounted to 26.63%. The internal market share of mutual fund trading commission amounted to 3.55%, representing a year-on-year increase of 2.31%. The Company has steadily ranked among the top ten industry players for several consecutive years in terms of the commission allocation income from public offering funds, and has been awarded the "Most Anticipated Securities Company for Venture Capitals" (最受險資歡迎證券公司).

(ii) Prime brokerage business

In the first half of 2020, the Company built its market brand for prime brokerage services by providing an all-round, high-quality and one-stop integrated services to commercial banks and wealth management subsidiaries, private equity institutions, trust institutions and other financial institutions which center around investment research, financial product evaluation, FOF/MOM investment, system trading and capital intermediary. As of June 30, 2020, the Company had cumulatively cooperated with a total of 1,013 private equity institutions, representing a year-on-year increase of 15%, introduced a total of 2,573 PB products, representing a year-on-year increase of 22%. The new PB products filed for approval reached RMB34.818 billion, representing a year-on-year increase of 36%, among which the size of new bank wealth management products amounted to RMB26.849 billion, representing a year-on-year increase of 170%.

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(iii) Asset custodian and outsourcing business

In the first half of 2020, the Company vigorously expanded the outsourcing business of private equity investment funds, consolidated the outsourcing business on the registration of trust shares, and explored the outsourcing business of commercial banks on the valuation of net-value wealth management, standard product trust and futures asset management. The scales of private equity fund outsourcing services and trust share registration services amounted to RMB32.431 billion and RMB190.143 billion. The Company further improved its risk control, security assurance, operational capabilities and professional standards of fund outsourcing business, and passed certification of International Standard on Assurance Engagements (ISAE) 3402. With its custodian qualification of securities investment fund being approved by CSRC, the Company will vigorously increase its efforts to expand the custodian services of institutional clients of mutual funds.

(iv) Investment research business

In the first half of 2020, 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". The Company held one large investor strategy conference, released a total of 2,654 research reports and provided 11,433 roadshow services for institutional clients, representing a year-on-year increase of 38%. The Company provided a number of investment research businesses such as joint researches, expert communications and teleconferences based on a multi-channel service model with online-offline integration, among which 557 online activities of all kinds were held. The Company strengthened research and planning, closely followed market hotspots and launched special studies that have received widespread market attention, including a series of macro-pandemic studies, contactless economy, consumer trends, new and old infrastructure, Tesla industrial chain and overseas macro-economy. As of June 30, 2020, the Company tracked and researched 702 A-share listed companies and 156 overseas listed companies, with market influence continuing to increase.

(v) Foreign institutional trading business

In the first half of 2020, the commission income from Everbright SHK represented a year-on-year increase of 19.06%. The Company conducted roadshows for a number of institutional clients related to the underwriting of IPO projects, and introduced well-known funds for business cooperation. The Company continued to maintain good collaborative relationship with domestic investment research business and institutional trading business, making breakthroughs in such businesses as online investment research and GDR (Global Depository Receipt) under the Shanghai-London Stock Connect.

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(3). *Outlook for the second half of 2020*

In the second half of 2020, under the premise of strengthening risk prevention, the Company will continuously increase service methods and accelerate in the construction of information services for the institutional trading business. For the prime brokerage business, the Company will closely fit the external market environment, continue to focus on exploring and serving the demands of commercial banks and wealth management subsidiaries, private funds, trusts and other financial institutions and provide closed-loop services covering extensive financial customers to constantly improve the customer stickiness and promote the comprehensive revenue growth. The investment research business segment of the Company will consolidate the basis of research on commission generation and continuously improve market influence. Based on the expansion of the market share in the outsourcing market for private securities and investment funds, the custodian and outsourcing services will strive to expand the custody business of mutual funds and special fund accounts, securities asset management, futures asset management and products of special accounts of fund subsidiaries. The foreign institutional sales business will continue to strengthen business expansion with Chinese-funded institutions, expand the scope of business connection and speed up in the integration of domestic and overseas businesses.

4. *Investment Trading Business Segment*

The investment trading business segment includes the proprietary equity investment business and the proprietary fixed income investment business.

In the first half of 2020, the business segment realized income of RMB1.2 billion, accounting for 13% of the Group's total revenue.

(1). *Market environment*

In the first half of 2020, the A-share market generally showed the trend with a wide range of fluctuations with structural differentiation. The SSE Composite Index recorded a decrease of 2.15% and the CSI 300 Index recorded a slight increase of 1.64%. The yield rate of the bond market experienced drastic fluctuations. In January to April of 2020, the yield rate of bonds declined due to the impacts of the epidemic. With the gradual economic recovery since May of 2020 and the tightening margin of monetary policies, the yield rate of bonds increased obviously.

(2). *Operation initiatives and results*

(i) Proprietary equity investment business

In the first half of 2020, the Company's proprietary equity investment business continued to optimize the investment research system. Adhering to the investment concepts and the established strategic orientations and with fundamentals as the anchor, it strictly controlled risks, conducted key layouts and consistently adjusted and optimized the portfolio structure, achieving remarkable investment returns. Among them, the yield of equity investment businesses significantly outperformed the market. In terms of quantitative derivatives, with the targets of focusing on the exchange-traded options market making business and improving the trading hedging ability, it further consolidated business foundation. The Company actively advanced GDR market making and cross-border conversion business of Shanghai-London Stock Connect and cross-border conversion business based on regulatory requirements. The NEEQ market making business focused on revitalizing stock assets. As of June 30, 2020, the Company provided market-making and quotation services for 3 NEEQ quoted companies.

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(ii) Proprietary fixed income investment business

In terms of the proprietary fixed income business, the Company further enhanced market judgment, adjusted the position structure in a timely manner and effectively avoided risks on market fluctuation. Through enhancing the construction of the internal credit rating database, the Company improved credit rating and compliance systems and further conducted strict control of credit risks and operational risks. The Company actively expanded various financing channels such as income receipts and gold leases. The yield of investment significantly outperformed the China Bond Composite Index.

(3) Outlook for the second half of 2020

In the second half of 2020, the Company will further enhance investment research capabilities. The proprietary equity investment business will continue to focus on quality assets from the medium- and long-term perspectives to create stable investment returns. The proprietary fixed income investment business will appropriately adjust the position structure and continue to use credit bonds as the bottom position to increase investment returns through interest rate bonds, convertible bonds trading and market neutral strategies.

5. Asset Management Business Segment

The asset management business segment includes the asset management business, the fund management business and the overseas asset management business.

In the first half of 2020, the business segment realized income of RMB1.1 billion, accounting for 12% of the Group's total revenue.

(1) Market environment

In the first half of 2020, with the implementation of new regulations and rules on asset management, the securities asset management industry continued standardization and adjustment and gradually returned to the origin of active management. Despite the slower growth, the overall development was healthier. According to the statistics released by the Asset Management Association of China, as of the first quarter of 2020, the total assets under management (AUM) of securities companies amounted to RMB9.97 trillion, representing a decrease of 8% from the beginning of the year. The mutual fund sector remained in a stable growth, and the size of fund asset management continued to grow. According to the statistics from Wind Info, as of June 30, 2020, the AUM of mutual funds amounted to RMB17.2 trillion, including ETF feeder funds, representing an increase of 16% from the beginning of the year. As wealth management subsidiaries of banks gradually conducted business, the competition in the asset management industry will be more intense. Strengthening active management capabilities and building differentiated competition advantage will be key points in development.

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(2). Operation initiatives and results

(i) Asset management business

In the first half of 2020, on the one hand, Everbright Asset Management focused on active management and further enriched its product types and layouts through improving investment research capabilities and optimizing investment strategies. On the other hand, it 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 five massive collective products. In 2020, as affected by the "channel reduction" in the industry, the asset management size of the Company declined. As of June 30, 2020, the total AUM of Everbright Asset Management amounted to RMB228.897 billion, representing a decrease of 6.15% from the beginning of the year. The assets under active management amounted to RMB149.095 billion, representing a decrease of 2.02% from the beginning of the year; and the scale of the assets under active management accounted for 65.14% in the total asset of AUM. In 2020, Everbright Asset Management as manager had conducted eight new asset securitization projects with an aggregate issue size of RMB7.827 billion. As of June 30, 2020, the net income of Everbright Asset Management ranked the 9th in the industry.

Table 2 Products under asset management plans

Product types	AUM (RMB100 million)	Changes compared to the beginning of the year
Collective Asset Management Scheme	574.28	(24.28)%
Designated Asset Management Scheme	1,358.77	(1.88)%
Specific Asset Management Scheme	355.92	20.39%
Total	2,288.97	(6.15)%

Source: internal statistics of the Company

(ii) Funds management business

In the first half of 2020, the operation and development of Everbright Pramerica was stable and favorable. In terms of AUM, it actively seized the equity market conditions in the first half of the year and promoted the launch of equity products. As of June 30, 2020, the AUM of mutual funds of the Company amounted to RMB81.467 billion. In terms of product layout, Everbright Pramerica vigorously studied market trends and actively responded to the demands of partners and has designed and developed various mutual securities investment funds and wealth management products for special accounts. According to Wind statistics, as of June 30, 2020, the size of Everbright Pramerica excluding currency wealth management was RMB61.8 billion, the size of currency funds was RMB19.667 billion.

(iii) Overseas asset management business

In the first half of 2020, in the face of uncertainties in the overseas market environment, Everbright SHK vigorously promoted roadshows, marketing and product innovation and actively expanded the overseas asset management business. As of June 30, 2020, the AUM of Everbright SHK amounted to HK\$3.65 billion, representing an increase of 14.4% year-on-year, among which, the size of assets under active management was HK\$1.68 billion.

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(3). *Outlook for the second half of 2020*

To stably promote the implementation of new regulations on asset management and the standard transformation of the asset management business, the transition period for new regulations on asset management was extended to the end of 2021. In the second half of 2020, Everbright Asset Management will continue to promote the transformation of public issuance and the standardization of existing private equity business according to regulatory requirements. It will further strengthen the construction of investment research teams and capabilities and strive to maintain and improve active management products and enhance the long-term competitiveness. Everbright Pramerica will further enhance the construction of investment research teams and capture market hotspots and investment opportunities in a timely manner. It will drive product layout with product strategy, further reinforce the layout of new products and the cooperation with key proxy sales channels and actively promote the continuous marketing of high-performance products. For the outsourcing demands of wealth management subsidiaries of banks, it will speed up in the coverage of institutional sales and expanded the cooperation with the special account business to further enhance the comprehensive competitiveness. Everbright SHK will continue to leverage on the business synergy of the Group, strive to seize market opportunities and speed up in business development to further improve product performance and advance the launch of new products and the sales of superior products based on customers' demands.

6. *Equity Investment Business Segment*

The equity investment business segment includes the private fund investment and financing business, the alternative investment business and the overseas equity investment business.

In the first half of 2020, the business segment realized income of RMB48 million, accounting for 1% of the Group's total revenue.

(1). *Market environment*

In the first half of 2020, the private equity industry witnessed opportunities as well as challenges. On the one hand, due to downward pressure on Chinese economy and the impacts of the COVID-19, the difficulties in private equity investment and fund raising generally increased with longer investment cycles and the number of projects withdrawn decreased from the same period of last year. Under the background with stricter regulation, the securities private equity fund industry faced the transformation of the business types and changes such as the orderly development and increasing marketization under stricter regulation. On the other hand, the Sci-tech Innovation Board generally maintained stable operation and the stock prices performed well on the whole. The launch of the registration-based IPO system on the ChiNext and the NEEQ Select enriched the withdrawal channels for equity investment institutions and also brought new round of investment opportunities in the field of technological innovation. The size of bonds issuance and the size and activity of equity financing in the Hong Kong capital market declined in the short term, but overseas financing demands remained at a high level.

SECTION IV REPORT OF THE BOARD

(2). *Operation initiatives and results*

(i) **Private fund investment and financing business**

In the first half of 2020, 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 and strengthened post-investment management of the existing investment projects, properly solving risks. Everbright Development has 1 fund subsidiary and set up 6 investment funds with the size of projects under management exceeding RMB29 billion, involving the renovation of shanty town areas, the construction of intercity railways and expressways as well as other sectors.

(ii) **Alternative investment business**

As an alternative investment subsidiary of the Company, Everbright Fortune reshaped business positioning and actively promoted and implemented relevant work on follow-up investment in the Sci-tech Innovation Board. As of June 30, 2020, it has completed 4 strategic placement projects. In terms of post-investment management, Everbright Fortune vigorously strengthened the construction of post-investment management staff and implemented refined post-investment management to ensure the safe and orderly withdrawal of projects.

(iii) **Overseas equity investment business**

The Company's equity investment business develops the coordinated integration of domestic and overseas businesses. As overseas investment and financing enjoys differentiated advantages compared with Chinese mainland businesses, it maintained high demands. As of June 30, 2020, the structured financing business of Everbright SHK has 5 existing projects with an existing size of HK\$1.271 billion.

(3). *Outlook for the second half of 2020*

In the second half of 2020, Everbright Capital and Everbright Development will enhance post-investment management of existing direct investment and fund business to continuously strengthen risk management and control capabilities, optimize and upgrade compliance management and advance the reserve work for newly established funds in an orderly manner. Everbright Fortune will actively carry out follow-up investment in the Sci-tech Innovation Board and equity investment business. 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 registration-based IPO system on the ChiNext and the NEEQ Select to ensure the safe and orderly withdrawal of projects. Everbright SHK will focus on SOEs and large private enterprises and innovate cooperation models. It will conduct proper layout on the investment proportions of bonds and equity and deeply explore key industries under the "three-universal and one-innovative" strategy.

SECTION IV REPORT OF THE BOARD

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

Table 1 Major revenue

Unit: RMB' 000

Item	January to June 2020		January to June 2019		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission income	4,333,221	48%	3,391,741	39%	941,480	28%
Interest income	2,812,068	31%	3,039,856	35%	(227,788)	(7)%
Net investment gains	1,410,517	16%	1,990,667	23%	(580,150)	(29)%
Other income and gains	394,478	5%	200,450	3%	194,028	97%
Total revenue and other income	8,950,284		8,622,714		327,570	4%

In the first half of 2020, total revenue and other income of the Company amounted to RMB8.95 billion, representing a year-on-year increase of 4%.

In particular, fee and commission income amounted to RMB4.33 billion, representing a year-on-year increase of 28%, which was mainly due the increase in stock trading volume and the increase in underwriting size of investment banks.

Interest income amounted to RMB2.81 billion, representing a year-on-year decrease of 7%, which was mainly due to the decrease of interest incomes from collateralized stock repurchase financial assets.

Net investment gains amounted to RMB1.41 billion, representing a year-on-year decrease of 29%, which was mainly due to the loss of the projects.

Other income and gains amounted to RMB394 million, representing a year-on-year increase of 97%, which was mainly due to an increase of income from commodities and increase of governmental subsidies.

Table 2 Major expenditure items

Unit: RMB' 000

Item	January to June 2020		January to June 2019		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission expenses	669,397	11%	519,901	8%	149,496	29%
Interest expenses	2,007,752	33%	2,262,748	35%	(254,996)	(11)%
Staff costs	2,009,323	33%	1,968,304	31%	41,019	2%
Depreciation and amortization expenses	351,819	6%	319,755	5%	32,064	10%
Tax and surcharges	37,818	1%	31,374	0%	6,444	21%
Provision for contingent liabilities	—	—	299,938	5%	(299,938)	(100)%
Credit loss expense	183,040	3%	353,621	6%	(170,581)	(48)%
Other operating expenses	749,370	13%	654,524	10%	94,846	14%
Total	6,008,519		6,410,165		(401,646)	(6)%

SECTION IV REPORT OF THE BOARD

In the first half of 2020, total expenses amounted to RMB6.01 billion, representing a year-on-year decrease of 6%.

In particular, fee and commission expenses amounted to RMB0.67 billion, representing a year-on-year increase of 29%, 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 RMB2.01 billion, representing a year-on-year decrease of 11%, which was mainly due to the repayment of certain long-term bonds payable;

Staff costs amounted to RMB2.01 billion, representing a year-on-year increase of 2%, which was mainly due to the increase of the performance-based staff salaries;

Depreciation and amortization expenses amounted RMB0.35 billion, representing a year-on-year increase of 10%, which was mainly due to the increase in depreciation of rights of use assets;

Tax and surcharges amounted to RMB38 million, representing a year-on-year increase of 21%, which was mainly due to the increase of revenue;

Provision for contingent liabilities decreased by RMB0.3 billion, which was mainly due to no additional provision for contingent liabilities in the Reporting Period;

Credit impairment loss amounted RMB0.18 billion, representing a year-on-year decrease of 48%, which was mainly due to the decrease of provisions for impairment loss of the bonds.

Other operating expenses amounted to RMB0.75 billion, representing a year-on-year increase of 14%, which was mainly due to the increase of the commodities trading business of the Company during the Reporting Period.

1. *Cash flows*

In the first half of 2020, the cash and cash equivalents of the Company recorded a net decrease of RMB2.297 billion, of which:

Net cash used in operating activities amounted to RMB330 million, mainly due to the increase in the margin financing and decrease in the repurchase business, which was partially offset by the increase in the placements from other financial institutions, decrease in the collateralized stock repurchase transactions, bond reverse-repurchase and financial leasing businesses and decrease in the restricted assets and other factors.

Net cash generated from investing activities amounted to RMB4.191 billion, mainly due to the sale of financial instruments at fair value through other comprehensive income and the sale of investments classified as receivables and other investments.

Net cash used in financing activities amounted to RMB6.158 billion, mainly due to repayment of certain debt financing instruments in the Reporting Period.

SECTION IV REPORT OF THE BOARD

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

Unit: RMB' 000

Item	June 30, 2020		December 31, 2019		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Non-current assets	30,645,783		32,310,592		(1,664,809)	(5.15)%
Property and equipment	854,976	0.42%	828,811	0.41%	26,165	3.16%
Right-of-use asset	687,899	0.34%	755,776	0.37%	(67,877)	(8.98)%
Goodwill	1,036,042	0.51%	1,016,193	0.50%	19,849	1.95%
Other intangible assets	240,548	0.12%	314,058	0.15%	(73,510)	(23.41)%
Interest in associates and joint ventures	1,040,225	0.51%	1,039,416	0.51%	809	0.08%
Financial assets measured at amortized cost	5,187,401	2.53%	5,768,844	2.83%	(581,443)	(10.08)%
Equity instruments at fair value through other comprehensive income	5,014,658	2.45%	5,072,522	2.49%	(57,864)	(1.14)%
Debt instruments at fair value through other comprehensive income	7,789,293	3.80%	8,875,024	4.35%	(1,085,731)	(12.23)%
Financial assets held under resale agreements	-	-	584,840	0.29%	(584,840)	(100.00)%
Financial assets at fair value through profit or loss	308,250	0.15%	-	-	308,250	N/A
Refundable deposits	5,385,001	2.63%	4,415,528	2.16%	969,473	21.96%
Deferred income tax assets	1,486,581	0.73%	1,618,157	0.79%	(131,576)	(8.13)%
Finance lease receivables	994,099	0.48%	1,598,189	0.78%	(604,090)	(37.80)%
Receivables arising from sale-and-leaseback arrangements	467,300	0.23%	254,379	0.12%	212,921	83.70%
Other non-current assets	153,510	0.07%	168,855	0.08%	(15,345)	(9.09)%
Current assets	174,392,349		171,779,755		2,612,594	1.52%
Accounts receivable	3,206,431	1.56%	3,077,872	1.51%	128,559	4.18%
Finance lease receivables	1,463,272	0.71%	1,644,785	0.81%	(181,513)	(11.04)%
Receivables arising from sale-and-leaseback arrangements	382,517	0.19%	199,676	0.10%	182,841	91.57%
Other receivables and prepayments	1,885,996	0.92%	1,809,717	0.89%	76,279	4.21%
Margin accounts receivable	37,079,445	18.08%	34,118,659	16.72%	2,960,786	8.68%
Debt instruments at fair value through other comprehensive income	3,012,848	1.47%	3,677,843	1.80%	(664,995)	(18.08)%
Financial assets held under resale agreements	5,309,684	2.59%	7,700,967	3.77%	(2,391,283)	(31.05)%
Financial assets measured at amortized cost	1,073,334	0.52%	1,437,022	0.70%	(363,688)	(25.31)%
Financial assets at fair value through profit or loss	65,006,857	31.70%	65,403,594	32.05%	(396,737)	(0.61)%
Derivative financial assets	30,086	0.01%	9,239	0.00%	20,847	225.64%
Clearing settlement funds	767,791	0.37%	1,723,018	0.84%	(955,227)	(55.44)%
Cash held on behalf of brokerage clients	47,113,275	22.98%	39,937,491	19.57%	7,175,784	17.97%
Cash and bank balances	8,060,813	3.93%	11,039,872	5.41%	(2,979,059)	(26.98)%
Total assets	205,038,132		204,090,347		947,785	0.46%

SECTION IV REPORT OF THE BOARD

Item	June 30, 2020		December 31, 2019		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Current liabilities	122,463,102		123,042,517		(579,415)	(0.47)%
Loans and borrowings	9,470,888	6.15%	7,868,827	5.07%	1,602,061	20.36%
Short-term debt instruments issued	11,888,735	7.71%	4,489,383	2.90%	7,399,352	164.82%
Placements from other financial institutions	7,483,056	4.86%	6,063,705	3.91%	1,419,351	23.41%
Financial liabilities at fair value through profit or loss	561,256	0.36%	893,218	0.58%	(331,962)	(37.16)%
Accounts payable to brokerage clients	53,292,258	34.58%	45,710,991	29.48%	7,581,267	16.59%
Employee benefits payable	2,127,891	1.38%	1,557,274	1.00%	570,617	36.64%
Other payables and accruals	5,529,675	3.59%	7,633,982	4.92%	(2,104,307)	(27.56)%
Current tax liabilities	542,441	0.35%	653,972	0.42%	(111,531)	(17.05)%
Financial assets sold under repurchase agreements	19,241,791	12.49%	24,636,110	15.89%	(5,394,319)	(21.90)%
Lease liabilities due within one year	213,745	0.14%	255,681	0.16%	(41,936)	(16.40)%
Derivative financial liabilities	178,981	0.12%	103,677	0.07%	75,304	72.63%
Long-term bonds due within one year	11,932,385	7.74%	23,175,697	14.95%	(11,243,312)	(48.51)%
Total assets less current liabilities	82,575,030		81,047,830		1,527,200	1.88%
Non-current liabilities	31,646,574		32,029,022		(382,448)	(1.19)%
Loans and borrowings	469,661	0.30%	3,811,364	2.46%	(3,341,703)	(87.68)%
Long-term bonds	25,436,724	16.51%	24,180,767	15.59%	1,255,957	5.19%
Deferred tax liabilities	64,794	0.04%	128,462	0.08%	(63,668)	(49.56)%
Employee benefits payable	1,916	0.00%	998	0.00%	918	91.98%
Accrued liabilities	3,002,823	1.95%	3,010,922	1.94%	(8,099)	(0.27)%
Lease liabilities	473,374	0.31%	489,167	0.32%	(15,793)	(3.23)%
Other non-current liabilities	2,197,282	1.42%	407,342	0.26%	1,789,940	439.42%
Total liabilities	154,109,676		155,071,539		(961,863)	(0.62)%
Net assets	50,928,456		49,018,808		1,909,648	3.90%

Non-current assets: As of June 30, 2020, the non-current assets of the Company amounted to RMB30.6 billion, representing a decrease of 5% as compared with that of the beginning of the year, which was mainly due to the decrease of debt instruments at fair value through other comprehensive income, finance lease receivables, financial assets held under resale agreements and financial assets at amortized cost, partially offset by the increase in refundable deposits.

Current assets: As of June 30, 2020, the current assets of the Company amounted to RMB174.4 billion, representing an increase of 2% as compared with that of the beginning of the year, which was mainly due to the increase of cash held on behalf of brokerage clients and margin accounts receivables, partially offset by the decrease in cash and bank balances, financial assets held under resale agreements and clearing settlement funds.

SECTION IV REPORT OF THE BOARD

Current liabilities: As of June 30, 2020, the current liabilities of the Company amounted to RMB122.5 billion, basically the same with that of the beginning of the year, which was mainly due to the decrease in long-term bonds due within one year and financial assets sold under repurchase agreements, partially offset by the increase in the accounts payable to brokerage clients and short-term debt instruments issued.

Non-current liabilities: As of June 30, 2020, the non-current liabilities of the Company amounted to RMB31.6 billion, representing a decrease of 1% as compared with that of the beginning of the year, which was mainly due to the decrease of loans and borrowings, partially offset by the increase of long-term bonds.

Borrowings and bond financing

Unit: RMB' 000

Item	June 30, 2020	December 31, 2019
Loans and borrowings	9,940,549	11,680,191
Short-term debt instruments	11,888,735	4,489,383
Long-term bonds	37,369,109	47,356,464
Total	59,198,393	63,526,038

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 42, 43 and 50 of the condensed consolidated financial statements.

As of June 30, 2020, the Company's gearing ratio was 66.44%, the Company's long-term bonds due within one year, loans and borrowings and short-term debt instruments issued amounted to RMB33.3 billion, and the Company's current assets, net of the above liabilities, amounted to RMB141.1 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

(III) Analysis on investments

1. Overall analysis on external equity investment

As of the end of the Reporting Period, the long-term equity investment of the Company amounted to RMB1.040 billion, representing an increase of RMB810,000 or 0.08%, as compared with that of the beginning of the year, which was mainly due to gain on investment under the adoption of equity accounting for investment in an associate. For details, please refer to the disclosure in the Financial Report.

(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.

SECTION IV REPORT OF THE BOARD

(IV) Material disposal of assets and equity interests

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

(V) Structured entities under the control of the Company

As of June 30, 2020, the Group consolidated 16 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 June 30, 2020, the net assets of the above structured entities within the scope of consolidation amounted to RMB8.671 billion.

(VI) Analysis on principal subsidiaries and controlled companies

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

As of June 30, 2020, Everbright Futures had total assets, net assets and net profit amounting to RMB12.062 billion, RMB1.968 billion and RMB67 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 June 30, 2020, Everbright Asset Management had total assets, net assets and net profit amounting to RMB3.033 billion, RMB2.311 billion and RMB298 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 June 30, 2020, Everbright Capital had total assets, net assets and net loss amounting to RMB3.273 billion, RMB-724 million and RMB351 million, respectively.

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

As of June 30, 2020, Everbright Fortune had total assets, net assets and net profit amounting to RMB2.840 billion, RMB2.111 billion and RMB152 million, respectively.

SECTION IV REPORT OF THE BOARD

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

As of June 30, 2020, EBSHK had total assets, net assets and net loss (RMB equivalent) amounting to RMB25,058 million, RMB-167 million and RMB100 million, respectively. In August 2020, EBSHK completed a capital increase of HK\$2,300 million with the paid-in capital increasing from HK\$2,765 million to HK\$5,065 million and the net assets increasing to HK\$2,150 million in terms of the financial position as at the end of July.

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 June 30, 2020, Everbright Development had total assets, net assets and net profit amounting to RMB1.233 billion, RMB568 million and RMB11 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% of the shares held by Everbright Capital has been frozen due to the impact of risk event, and for details, please refer to the announcement No. Lin 2019-037 dated June 1, 2019 published on the website of the SSE and the announcement dated May 31, 2019 published on the website of the Hong Kong Stock Exchange in relation to the update of important matters relating to a wholly-owned subsidiary and litigation). It is principally engaged in financial leasing and leasing business.

As of June 30, 2020, Everbright Leasing had total assets, net assets and net profit amounting to RMB3.814 billion, RMB1.198 billion and RMB14 million, respectively.

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

As of June 30, 2020, Everbright Pramerica had total assets, net assets and net profit amounting to RMB1.337 billion, RMB1.181 billion and RMB85 million, respectively.

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

As of June 30, 2020, Dacheng Fund had total assets, net assets and net profit amounting to RMB3.757 billion, RMB2.422 billion and RMB151 million, respectively.

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 June 30, 2020, 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 RMB1.16 million (the used proceeds from the issuance of H Shares denominated in RMB were calculated at the effective exchange rate; the used proceeds from the issuance of H Shares denominated in Hong Kong dollars were calculated at the current exchange rate; the exchange rate of the unused proceeds from the issuance of H Shares were calculated based on the exchange rate on June 30, 2020. Based on the translation at above exchange rates, the net proceeds from the issuance of H Shares amounted to RMB7.681 billion).

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

II. Potential Risk Exposure

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.

SECTION IV REPORT OF THE BOARD

2. Risk management structure

The Company's risk management organization consists of four levels, including the Board of Directors and its risk management committee, Supervisory 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; 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.

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, finance and treasury department, operations management headquarters, board (supervisory committee) 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.

SECTION IV REPORT OF THE BOARD

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. Risks are under control by a combination of investment portfolios, mark-to-market measures, hedging and mitigation measures during the business expansion. 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. Meanwhile, 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.

(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.

SECTION IV REPORT OF THE BOARD

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

(4) *Liquidity risk*

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

For the purpose of preventing the liquidation risk prudently, the Company has formulated administrative measures for the liquidation risk, specified the 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 finance and treasury 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.

SECTION IV REPORT OF THE BOARD

(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.

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, ISO27001 technology service system, and actively promoting the establishment of unified three platforms of supervision, management 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 four directions of operation and maintenance – "service standardization, process automation, digital management, and intelligent decision-making".

SECTION IV REPORT OF THE BOARD

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.

During the Reporting Period, the information technology risk faced by the Company is generally under control and important information technology systems operate in a safe and stable manner.

(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, and 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 risk, the Company, through establishing a practicable compliance management system, has realized effective identification, assessment and management of compliance risks and develops long-term compliance assessment accountability and training mechanisms, to provide effective support and supervision for the Company's various operations in accordance with laws and regulations.

SECTION V SIGNIFICANT EVENTS

I. Introduction to General Meetings

Meeting	Date of meeting	Website designated for publication of the resolutions	Date of disclosure of publishing the resolutions
The first extraordinary general meeting in 2020	March 3, 2020	http://www.sse.com.cn	March 4, 2020 (A Shares)
		http://www.hkexnews.hk	March 3, 2020 (H Shares)
2019 annual general meeting	June 2, 2020	http://www.sse.com.cn	June 3, 2020 (A Shares)
		http://www.hkexnews.hk	June 2, 2020 (H Shares)

II. Profit Distribution

(I) The profit distribution proposal during the Reporting Period

According to the 2019 profit distribution proposal considered and approved at the 2019 annual general meeting of the Company convened on June 2, 2020, 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, a cash dividend of RMB0.37 per 10 shares (tax inclusive) was distributed to all holders of A Shares and H Shares, with a 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 was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the PBOC for five business days prior to the 2019 annual general meeting of the Company (i.e. RMB0.919174=HKD1.00). Accordingly, a cash dividend of HKD0.402535 per 10 H Shares (tax inclusive) was distributed.

The Company published relevant announcements in relation to the 2019 profit distribution proposal on the websites of the SSE, the Hong Kong Stock Exchange and the Company, and the Company's 2019 profit distribution proposal was completed in July 2020.

(II) Profit distribution proposal and proposal for conversion of capital reserve fund into share capital

The Company had no profit distribution proposal or proposal for conversion of capital reserve fund into share capital for the first half of 2020.

III. 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. Such undertaking was strictly and timely implemented during the Reporting Period.

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IV. Appointment and Dismissal of Accounting Firms

The 26th meeting of the fifth session of the Board of the Company has considered and approved the Proposal on the Re-appointment of External Auditors for the Year 2020, and Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young have been proposed to be re-appointed as the external auditors of the Company for 2020. Such appointment is subject to the consideration and approval of the general meeting. For details, please refer to the announcement No. Lin 2020-088 dated August 27, 2020 published on the website of the SSE and the announcement dated August 26, 2020 published on the website of the Hong Kong Stock Exchange.

V. Material Litigation and Arbitration Matters

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

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

During the Reporting Period, the controlling shareholders of the Company were not involved in any circumstances where they failed to perform the legally binding court judgments or pay off debts overdue with a relatively large amount.

Everbright Jinhui Investment Management (Shanghai) Co., Ltd. ("Everbright Jinhui"), a sub-subsidiary of the Company, received an award from Shanghai International Arbitration Center and an enforcement notice from Shanghai Financial Court for MPS related matters. For details, please refer to the announcements No. Lin 2020-049, No. Lin 2020-051 and No. Lin 2020-080 published on the website of the SSE and the announcements dated May 3, 2020, May 11, 2020 and August 9, 2020 published on the website of the Hong Kong Stock Exchange. Everbright JinHui is an independent legal entity, and the above payment obligation is still in the process of performance.

VII. Material Related Party Transactions and Connected Transactions

(I) Related party transactions and connected transactions related to daily operations

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 on 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") 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.

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 the first half of 2020, the actual amount of rental income from the properties leased to Everbright Group and its affiliated parties was RMB1,655,900, and the actual rental expenditure incurred for the properties rented from Everbright Group and its affiliated parties was RMB7,532,600.

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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 Non-financial 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 Non-financial 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 Non-financial 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 the first half of 2020, the actual amount of income from provision of nonfinancial 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 RMB1,145,400.

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 Non-financial Miscellaneous Services Framework Agreement, please refer to the announcement of the Company dated August 28, 2018.

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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 on the Hong Kong Stock Exchange, and 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 interbank 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 intrafinancial 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 the first half of 2020, the actual cash inflow from the transaction of securities and financial products was RMB81.193 billion; and the actual cash outflow for the transaction of securities and financial products was RMB87.804 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, RMB1,050.0 million and RMB1,200.0 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 the first half of 2020, the actual revenue gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties was RMB149,513,400, and the actual expense paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties was RMB80,803,700.

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 in 2019. 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.

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VIII. Guarantees

Unit: 100 million Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)	
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)	–
Total amount of guarantees outstanding at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	–
Guarantees provided by the Company for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	5.85
Total amount of guarantees provided for subsidiaries outstanding at the end of the Reporting Period (B)	95.38
Total amount of guarantees provided by the Company (including guarantees provided for subsidiaries)	
Total amount of guarantees (A+B)	95.38
Proportion of the total amount of guarantees to the Company's net assets (%)	18.73%
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	<ol style="list-style-type: none"> 1. During the Reporting Period, the Company has provided the following guarantees: net capital guarantee for the wholly-owned subsidiary Everbright Asset Management, and counter-guarantee to the guarantor for the loan from the overseas commercial bank of the wholly-owned subsidiary EBSHK. As of June 30, 2020, the balance of such guarantees was approximately RMB4.067 billion. The guarantees of the Company's holding subsidiaries mainly include: the wholly-owned subsidiary EBSHK and its subsidiaries provided loan guarantees and financing guarantees for its subsidiaries, to facilitate their business operation. As of June 30, 2020, the balance of such guarantees was approximately RMB5.471 billion. 2. The guarantee amount incurred was the amount increased during the year, excluding the amount decreased during the year.

SECTION V SIGNIFICANT EVENTS

IX. Poverty Alleviation Work of Listed Companies

(I) Targeted Poverty Alleviation Plan

2020 is the final year of building a moderately prosperous society in all aspects and fighting a decisive battle against poverty. The Company actively responded to the national call for poverty alleviation, and guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, firmly implemented the central government's "Four Don'ts" policy. Closely following the requirements of the CSRC and the SAC's poverty alleviation work initiatives, the Company further increased "three efforts" such as leadership, investment and target, and increased "three contributions" such as financial poverty alleviation, industrial poverty alleviation, and people's livelihood poverty alleviation. The Company also focused on industrial support and difficult issues of "three guarantees", and in accordance with the idea of highlighting precision, highlighting characteristics and highlighting effectiveness, starting with the issues most needed by local people and most concerned by local governments, implemented targeted assistance by leveraging on its own advantages and financial attributes and consolidated the results of poverty alleviation to ensure that the paired assistance regions such as Xintian County in Hunan can achieve stable poverty alleviation and move towards rural revitalization.

Bearing the spirit of General Secretary Xi Jinping's recent important speech at the decisive battle against poverty alleviation symposium in mind, the Company formulated the "Poverty Alleviation Work Plan of Everbright Securities for 2020", focusing on eight aspects "Securities + Industry", "Securities + Consumption", "Securities + Capital", "Securities + Health", "Securities + Supporting Intelligence", "Securities + Education", "Securities + Party Building" and "Securities + Prompting Ambition", so as to continue to promote and improve the "Securities +" targeted poverty alleviation innovation model and contribute to the country's overall poverty alleviation in 2020.

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

In the first half of 2020, 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 and innovative modes of poverty alleviation represented by the "securities +" mode; strengthened poverty alleviation work through industries, consumption, party building, education, medical treatment and public welfare.

Through the "production + supply + marketing" approach, the Company supported Xintian County in the development of featured industries including crops containing selenium; set up Everbright "Sunshine Care" Critical Illness Insurance Plan for Teachers and Students (光大「陽光關愛」師生重大疾病保險計劃) in districts in which we offer one-on-one assistance; organized the trade union of the Company to continue to purchase featured agricultural products such as rice rich in selenium from Xintian, tea from Guzhang, navel orange from Ganzhou and mushroom from Hubei in the form of "Spring Festival Shopping" to achieve poverty alleviation through consumption; and supported rural party branches in districts in which we offer one-on-one assistance to improve the construction of activities venues and facilities for grassroots organizations. The Company plans to further consolidate our achievements on the basis of poverty alleviation of counties we offer one-on-one assistance represented by Xintian County in Hunan Province, to promote the implementation of the rural revitalization strategy and move toward the goal of well-off society.

SECTION V SIGNIFICANT EVENTS

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

Unit: RMB '0000

Indicator	Amount/Status
I. General information	
Including: 1. Cash	800
2. Value of goods	
3. Number of registered impoverished individuals having cast off poverty (person)	800
II. Breakdown	
1. Poverty alleviation through economic development	
Including: 1.1 Category of poverty alleviation	<input checked="" type="checkbox"/> Agriculture and forestry <input checked="" type="checkbox"/> Tourism <input type="checkbox"/> E-commerce <input type="checkbox"/> Return on assets <input type="checkbox"/> Technology <input checked="" type="checkbox"/> Others
1.2 Number of programs	1
1.3 Project investment	RMB0.6 million was invested in Xintian's soybean products intensive processing project
1.4 Number of registered impoverished individuals having cast off poverty (person)	50
2. Poverty alleviation through transfer employment	
Including: 2.1 Vocational training	
2.2 Number of vocational training (person/session)	
2.3 Number of registered impoverished individuals employed (person)	
3. Poverty alleviation through relocation	
Including: 3.1 Relocated households employed (person)	
4. Poverty alleviation through education	
Including: 4.1 Subsidies to students in need	
4.2 Number of sponsored students in need (person)	
4.3 Education resources investment in poverty-stricken regions	RMB478,400 was invested in infrastructure maintenance of schools in Menlouxia
5. Poverty alleviation relating to healthcare	
Including: 5.1 Healthcare resource investment in poverty-stricken regions	

SECTION V SIGNIFICANT EVENTS

Indicator	Amount/Status
6. Poverty alleviation through ecological protection Including: 6.1 Project name	<input checked="" type="checkbox"/> Implement ecological protection and construction <input type="checkbox"/> Establish ecological protection compensation method <input type="checkbox"/> Set up ecological public welfare positions <input type="checkbox"/> Others
6.2 Investment amount	1. RMB1.3 million was invested in Traditional Ancient Village Renovation Project in Heshanyan (河山岩傳統古村落修繕項目) 2. RMB1.0 million was invested in Beautiful Countryside Construction Project in Shantianwan County (山田灣村美麗鄉村建設項目) 3. RMB1.0 million was invested in Environmental Quality Improvement Project of the Tail Area of Jinling Reservoir (金陵水庫庫尾環境提質改造工程)
7. Protection for the most impoverished people Including: 7.1 Subsidies to "three types of left-behind " individuals 7.2 Number of subsidized "three types of left behind" individuals (person) 7.3 Subsidies to the impoverished disabled 7.4 Number of the subsidized disabled (person)	
8. Social poverty alleviation Including: 8.1 Invested amount of east-west cooperation for poverty alleviation 8.2 Invested amount to targeted poverty alleviation tasks 8.3 Invested amount of public poverty alleviation fund	

SECTION V SIGNIFICANT EVENTS

Indicator	Amount/Status
9. Other projects	
Including:	
9.1 Number of projects	5
9.2 Invested amount	362.16
9.3 Number of registered impoverished individuals having cast off poverty (person)	750
9.4 Explanation on other items	Power Drainage Project of Zutingxia Village of Xinxu Town (新圩鎮祖亭下村電力排渠項目), Newly-built Unincorporated Villages Pavement (for Production Use) Construction Project of Zhulinping Village in Menlouxia (門樓下鄉竹林坪村新造自然村生產便道建設項目), Parking Space (for Agricultural Use) Construction Project of Hujia Community in Jicun Town (驥村鎮胡家社區農用停車坪建設項目), Radish-planting Area Road Hardening Project of Huanglishan Village in Jicun Town (驥村鎮黃栗山村紅皮蘿蔔種植區道路硬化項目), and "Xiaoyuan Conference Former Site" Party Member Education Base Renovation Project (「小源會議舊址」黨員教育活動基地修繕項目)
III. Awards Granted (details and class)	
May 2020: Certificate of Honor for Social Forces Assisting Poverty Alleviation and Supervision (Shanghai One-on-one Assistance and Cooperation Leading Group Office and Yunnan & Shanghai Poverty Alleviation Cooperation Leading Group Office) (社會力量助力掛牌督戰工作榮譽證書(上海市對口支持與合作交流工作領導小組辦公室與雲南省瀘滇扶貧協作領導小組辦公室))	
June 2020: National Finance Pioneer (Chinese Financial Workers' Union)	

SECTION V SIGNIFICANT EVENTS

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

In the first half of 2020, the Company thoroughly studied and implemented the important spirit of General Secretary Xi Jinping's speech at the Symposium on the Decisive Battle Against Poverty (決戰決勝脫貧攻堅座談會), and actively provided all kinds of support. Firstly, focusing on Xintian County in Hunan Province, we directly invested and introduced assistance funds totaling RMB15 million to advance 10 poverty alleviation projects in cultural tourism, education, party-building, industries and infrastructure, so as to further consolidate the poverty alleviation achievements of Xintian County (both for villages and households). Secondly, we actively responded to the nation's call on assisting Hubei province to sell unsalable featured agricultural products. The Company coordinated resources to purchase Hubei's unsalable agricultural products, and has purchased Hubei's unsalable agricultural products valued RMB200,000. Thirdly, through setting up a "Sunshine Care" Insurance Plan for Poverty Alleviation (「陽光關愛」保險扶貧計劃), Everbright Securities purchased critical illness insurance for 413,000 teachers and students in Xintian County of Hunan province, Xingguo County, Xunwu County, Wan'an County of Jiangxi Province and Xiji County of Ningxia for which we provide one-on-one assistance with premium of RMB4,136,600 and insured amount of approximately RMB14.5 billion, therefore prevented the teachers and students from becoming or returning to poverty-stricken because of sickness. Fourthly, we actively carried out poverty alleviation through consumption, and purchased agricultural products valued RMB882,500 from poverty-stricken areas (including unsalable agricultural products valued RMB200,000 from Hubei).

(V) Subsequent Targeted Poverty Alleviation Plan

In the second half of 2020, the Company will actively adopt a variety of methods to help enterprises in poverty-stricken areas to obtain financing, and strive to provide various financing services in IPO, NEEQ, green bonds (including asset securitization products) and innovative and entrepreneurial corporate bonds; continue to implement the targeted poverty alleviation initiatives of "One Company, One County" (一司一縣), actively promote the implementation of 10 poverty alleviation projects in Xintian County, including poverty alleviation through cultural and tourism, poverty alleviation through education, poverty alleviation through Party building, poverty alleviation through industries, and poverty alleviation through infrastructure; continuously explore long-term mechanisms for targeted poverty alleviation in accordance with local actual situation to assist in getting rid of poverty in the region and contribute to wining the tough war against poverty.

X. Dealing in Securities by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and supervisors of the Company regarding securities transactions by the Directors and supervisors. The Company, having made specific enquiries to all Directors and supervisors, confirmed that they had been in compliance with the requirements of the Model Code during the Reporting Period. The Company has also formulated guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). During the Reporting Period, the Company has not found any employee violating the said guidelines.

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

SECTION V SIGNIFICANT EVENTS

XI. Description of Other Significant Events

1. Accounting-related Information

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

The Proposal on the Changes of Accounting Policies of the Company was considered and approved at the 26th meeting of the fifth session of the Board of the Company, which has changed the presentation basis of segment reporting in periodic reports by reclassifying the original five business segments into six business segments. This change does not affect the data in the financial statement and its presentation, and only affects the presentation of segment reports. For details, please refer to the announcement No. Lin 2020-089 dated August 27, 2020 published on the website of the SSE, the announcement dated August 26, 2020 published on the website of the Hong Kong Stock Exchange and "Note 2. Basis of preparation and changes on accounting policies" to the condensed consolidated financial statements.

1.2 *Analysis and explanation of the causes and effects of corrections of significant errors in the previous period by the Board*

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

2. Review by the Audit Committee

The Audit Committee of the Board has reviewed and confirmed the Company's interim report on Review of Interim Financial Statements which is disclosed in accordance with the International Accounting Standards for the six months ended June 30, 2020, and has no objection against matters including the accounting policies and practices adopted by the Company.

3. Corporate Governance

During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report under Appendix 14 of the Hong Kong Listing Rules and fully abided by all applicable provisions under the Corporate Governance Code and met the requirements of most Recommended Best Practices set out in the Corporate Governance Code.

XII. Other Significant Events and Subsequent Events

(I) Relevant events of litigations disclosed in the provisional announcements

For details on the Company's case against Dewei Investment Group Co., Ltd. (德威投資集團有限公司) and a person surnamed Zhou, stock pledge clients, please refer to the "Announcement on Litigation" (Announcement No. Lin 2020-048 dated April 30, 2020 published on the website of SSE and the announcement dated April 30, 2020 published on the website of the Hong Kong Stock Exchange).

For details on the Company's case against 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)), a margin financing and securities lending client, please refer to the "Announcement on Litigation" (Announcement No. Lin 2020-002 dated January 7, 2020 published on the website of SSE and the announcement dated January 7, 2020 published on the website of the Hong Kong Stock Exchange). To date, the Company has recovered approximately RMB37.92 million through liquidation in the secondary market.

SECTION V SIGNIFICANT EVENTS

For details on the Company's case against 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)), a stock pledge client, please refer to the "Announcement on the Progress of the Litigation" (Announcement No. Lin 2020-061 dated June 10, 2020 published on the website of SSE and the announcement dated June 10, 2020 published on the website of the Hong Kong Stock Exchange). Shihezi Ruichen Equity Investment Partnership has filed an appeal and the second instance trial is currently in progress.

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

The Company's case against its stock pledge client surnamed Cui has been disclosed in "(III) Relevant events of litigations disclosed in previous years and in progress during the Reporting Period" under Section V "Significant Events" of the Company's 2019 annual report. Currently, an application is made to the court for enforcement of the case.

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 a person surnamed Teng, over disputes on financial derivatives trading contracts. The cases have been disclosed in "(III) Relevant events of litigations disclosed in previous years and in progress during the Reporting Period" under Section V "Significant Events" of the Company's 2019 annual report. Applications have been made to the court for enforcement of such case. Currently, the case of Guo Fu Futures and Shanghai Yuben Enterprise Management Co., Ltd.* (上海御本企業管理有限公司) as the respondents have been concluded upon the completion of execution of judgement.

The Company's case against its margin financing and securities lending client surnamed Yin has been disclosed in the section headed "XI. Other Significant Events and Subsequent Events" under Section V "Significant Events" of the Company's 2019 interim report. The first trial judgment regarding the case has been issued with the court ordering Yin to return the financing principal of approximately RMB24,020,000 and pay the accrued financing interests, default interests and other fees. The case has now been filed with the court for enforcement. Details of the Company's lawsuit against Dalian Jinma Shoppingmall Enterprise Group Co., Ltd. (大連金瑪商城企業集團有限公司) on a bond transaction dispute has been disclosed in "(III) Relevant events of litigations disclosed in previous years and in progress during the Reporting Period" under Section V "Significant Events" of the Company's 2019 annual report. At present, the case has been filed with the court for enforcement.

The Company's case against its stock pledge client surnamed Yin has been disclosed in the section headed "XI. Other Significant Events and Subsequent Events" under Section V "Significant Events" of the Company's 2019 interim report. Currently, a notice of conclusion of execution has been received from the court.

The Company's case 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 has been disclosed in "(III) Relevant events of litigations disclosed in previous years and in progress during the Reporting Period" under Section V "Significant Events" of the Company's 2019 annual report. Currently, an application is made to the court for enforcement of the case.

SECTION V SIGNIFICANT EVENTS

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

On May 7, 2020, a person surnamed Zheng filed a lawsuit to the High Court of Hong Kong against a person surnamed Situ and Sun Hung Kai Investment Services Limited over the misrepresentation in sales of bonds with an amount involved of approximately HK\$13,700,000. Currently, the case has been accepted by the High Court of Hong Kong.

On June 1, 2020, Everbright Capital filed a lawsuit to the People's Court of Jing'an District of Shanghai against Huzhou Chengzhi Industrial Co., Ltd. (湖州呈志實業有限公司) and Zhejiang Roomeye Energy-Saving Technology Co., Ltd. (浙江瑞明節能科技股份有限公司) on a dispute over the stock repurchase contract with an amount involved of approximately RMB15,350,000. The case has been accepted by the People's Court of Jing'an District of Shanghai.

On July 2, 2020, Everbright Leasing filed a lawsuit to the People's Court of Pudong New Area of Shanghai against Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司), Jiangyin Chengxing Industrial Group Co., Ltd. (江陰澄星實業集團有限公司) and surnamed Li on a dispute over the finance lease contract with an amount involved of approximately RMB49,270,000. The case has been accepted by the People's Court of Pudong New Area of Shanghai.

On July 27, 2020, China Everbright Securities (HK) Limited filed a counterclaim against a former broker surnamed Zhang, claiming that Zhang should be responsible for the amount owed by clients served or referred by him/her of approximately HK\$39,850,000. Zhang had previously filed a lawsuit against China Everbright Securities (HK) Limited at the High Court of Hong Kong, claiming a brokerage commission of approximately HK\$7,000,000.

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

Everbright Jinhui Asset Management Co., Ltd. (Shanghai) Co., Ltd. ("Everbright Jinhui"), a subsidiary of the Everbright Capital, serves as the executive partner of JinXin Investment Consultancy Partnership (Limited Partnership) ("Jinxin Fund"). The MPS project invested by Jinxin Fund failed to exit as originally planned. China Merchants Bank Co., Ltd. and Shanghai Hua Rui Bank Co., Ltd. ("Huarui Bank"), the interested parties of two senior-tranche partners of JinXin Fund, filed lawsuits against Everbright Capital over other contract disputes related to the Shortfall Makeup Letter. Everbright Capital has received the civil judgment for the first instance trial. At present, Everbright Capital has filed an appeal, and the relevant litigation is still in the process of performing judicial procedures. Huarui Bank filed an arbitration against Everbright Jinhui on the same matter. Shenzhen Hengxiang Equity Investment Fund LLP (Limited Partnership) applied for arbitration against Everbright Jinhui, Baofeng (Tianjin) Investment Management Co., Ltd. and Shanghai Qunchang Financial Service Company Limited due to the private equity investment contract dispute, and the above-mentioned arbitration has received the arbitral award. Based on the latest development in related litigation and arbitration, the Company has made corresponding provisions for estimated liabilities and asset impairment for the above matters. The Company will continue to pay attention to the progress and results of this matter, continue to evaluate the final specific results and responsibility that need to be undertaken, and perform related information disclosure obligations. (For details, please refer to the announcements No. Lin 2019-008, No. Lin 2019-012, No. Lin 2019-016, No. Lin 2019-037, No. Lin 2019-051, No. Lin 2020-015, No. Lin 2020-049, No. Lin 2020-051 and No. Lin 2020-080 published on the website of the SSE by the Company, and the announcements dated February 1, 2019, March 2, 2019, March 20, 2019, May 31, 2019, August 27, 2019, January 22, 2020, May 3, 2020, May 11, 2020 and August 9, 2020 published on the website of the Hong Kong Stock Exchange by the Company and Note 13 to the condensed consolidated financial statements.)

On June 4, 2020, the Shanghai Stock Exchange issued the Decision on Circulating a Notice of Criticism on Everbright Securities Co., Ltd. and Relevant Responsible Persons (a letter of disciplinary decision of the SSE [2020] No. 55), due to inaccurate disclosure of 2018 annual performance forecast, huge absolute values of differences and untimely correction.

In 2015, EBSHK acquired the 70% equity interest of SHKFGL, a subsidiary of Sun Hung Kai & Co. Limited, from Sun Hung Kai & Co. Limited. According to the relevant agreement, Sun Hung Kai & Co. Limited has been granted a put option and relevant rights in respect of the remaining 30% shares, which may be exercised according to the terms specified in the agreements within the period from June to December of 2020. During the Reporting Period, EBSHK is communicating and negotiating with the other party on the put option and related matters, and will conduct corresponding consideration and approval procedures according to the negotiation in due course and disclose the development timely.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

I. Particulars about Shareholders

(I) Total number of shareholders

As of the end of the Reporting Period, the total number of shareholders of ordinary shares was 112,303, of which 112,120 were holders of A Shares and 183 were registered holders of H Shares.

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

Unit: Shares

Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Shareholding of top ten shareholders			Pledged or frozen shares			Nature of shareholders
		Number of shares held as of the end of the Reporting Period	Percentage of the issued shares (%)	Number of shares held with selling restrictions	Status of shares	Number of shares		
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	4,200	703,639,100	15.26	-	Unknown	-	Unknown	
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	(6,220,000)	141,298,447	3.06	-	Nil	-	Others	
China Securities Finance Corporation Limited	0	137,863,472	2.99	-	Nil	-	Others	
HKSCC Limited	17,337,898	83,890,907	1.82	-	Nil	-	Unknown	
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	
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	6,935,076	27,080,039	0.59	-	Nil	-	Others	
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan	0	24,431,977	0.53	-	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	703,639,100	Overseas listed foreign shares	703,639,100
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	141,298,447	RMB ordinary shares	141,298,447
China Securities Finance Corporation Limited	137,863,472	RMB ordinary shares	137,863,472
HKSCC Limited	83,890,907	RMB ordinary shares	83,890,907
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
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	27,080,039	RMB ordinary shares	27,080,039
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
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.	

Note 1: Among the H shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.

Note 2: HKSCC Limited is the nominee holder of the Shanghai-Hong Kong Stock Connect shares.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

II. Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As of June 30, 2020, so far as the Directors, having made reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

No.	Name of substantial shareholders 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	Long position/ short position
						A Shares/ H Shares of the Company ⁶ (%)	
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
				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
				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 June 30, 2020, 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 June 30, 2020, 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

III. Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As of June 30, 2020, none of the Directors, Supervisors or chief executive of the Company had any interests and/or 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.

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

IV. 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.

V. 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 EMPLOYEES

I. Changes in Shareholding and Remuneration

The Directors, Supervisors and senior management of the Company did not hold any shares of the Company. During the Reporting Period, there were no changes in the shareholding. The Directors, Supervisors and senior management of the Company were not granted any equity incentives by the Company.

II. Changes in Directors, Supervisors and Senior Management of the Company

Name	Position	Change
Liu Qiuming	Executive Director, President	Appointed
Fang Ye	Chief Information Officer	Appointed
Liang Chunliang	Business Line Director	Appointed
Meng Xiangkai	Non-executive Director	Resigned
Sun Wenqiu	Supervisor	Resigned

On January 16, 2020, as considered and approved at the 19th meeting of the fifth session of the Board of the Company, Mr. Liu Qiuming was elected to be the president 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. The appointment of Mr. Liu Qiuming as an executive Director and the president of the Company became effective from March 13, 2020.

On April 17, 2020, as considered and approved at the 23rd meeting of the fifth session of the Board of the Company, Mr. Fang Ye was elected to be the Chief Information Officer of the Company. The appointment of Mr. Fang Ye took effect from the date of the consideration and approval by the Board of Directors of the Company.

On April 17, 2020, as considered and approved at the 23rd meeting of the fifth session of the Board of the Company, Mr. Liang Chunliang was elected to be the Business Line Director of the Company. The appointment of Mr. Liang Chunliang took effect from the date of the consideration and approval by the Board of Directors of the Company.

On June 4, 2020, the board of directors of the Company received a letter of resignation from a non-executive director of the Company from Mr. Meng Xiangkai due to personal work adjustment. The resignation became effective from the date when the resignation letter was delivered to the Board.

On June 23, 2020, the Supervisory Committee of the Company received a written letter of resignation from a supervisor of the Company from Mr. Sun Wenqiu due to personal work adjustment. Mr. Sun Wenqiu's resignation came into effect upon the date on which the delivery of his resignation to the supervisory committee of the Company.

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

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

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

Mr. Liu Qiuming (劉秋明) (Executive Director)

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

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

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

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

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

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

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

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

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

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

III. Significant Changes in Directors' and Supervisors' Information

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

IV. Description of the Directors' and Supervisors' Service Contracts

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

V. Employees and Remuneration Policy

As of the end of the Reporting Period, the Group had 8,913 employees (including 2,551 brokers), among which, the parent company had 7,049 employees and first-level wholly-owned and holding subsidiaries had 1,864 employees.

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

The Company implements a risk reserve system with both incentives and constraints to control risks and thus promote continuous and steady operation of the Company. The Company follows industry direction and adjusts salary structure and level in a timely manner, so as to provide employees with competitive remuneration and benefits in the industry and thus achieve the objectives of "attracting talent, retaining talent and motivating talent".

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

VI. Training Plan

The Company continues enriching and improving the hierarchical education and training system, and formulating and implementing annual training plans according to the requirement of deepen reform of the Group and the strategic plans of the Company, adhering to the guidance of the party building and the direction of value creation, focusing on the development of talent pool and organizational capacity and in consideration of the characteristics of employee career development. Content combined with party building, leadership, innovative thinking for the training courses to enhance strategic adjustment acumen and rapid response capabilities to the business changes of the Company and build an experience-sharing platform between headquarters and branches to improve the professional competence and comprehensive quality of employees in all aspects. The Company made full use of internal and external and Internet resources and adopt the training form combining online and offline study to enrich staff learning opportunities.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

I. Overview of Corporate Bonds

Outstanding corporate bonds as at the date of approval for the publication of this interim report are as follows:

Unit: 100 million Currency: RMB

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds	Interest rate (%)	Principal and interest payment method	Places of transaction
17G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2)	17 EVERBRIGHT SECURITIES G2	143155	July 4, 2017	July 4, 2022	15	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 16, 2017	October 16, 2020	41	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 16, 2017	October 16, 2022	16	4.90	Payment of interest on a yearly basis	SSE
18G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2)	18 EVERBRIGHT SECURITIES G2	143576	April 18, 2018	April 18, 2021	33	4.78	Payment of interest on a yearly basis	SSE
1806 EBS Non-public Offering Corporate Bonds (Third Tranche) (Type 2)	18 EVERBRIGHT SECURITIES 06	150585	July 30, 2018	July 30, 2021	40	4.67	Payment of interest on a yearly basis	SSE
18G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1)	18 EVERBRIGHT SECURITIES G3	143652	September 26, 2018	September 26, 2021	28	4.30	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	30	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	30	3.88	Payment of interest on a yearly basis	SSE
1902 EBS Non-public Offering Corporate Bonds (Second Tranche)	19 EVERBRIGHT SECURITIES 02	162002	August 22, 2019	August 22, 2022	30	3.75	Payment of interest on a yearly basis	SSE
20D1 EBS Non-public Offering Short-Term Corporate Bond (First Tranche)	20 EVERBRIGHT SECURITIES D1	162950	January 16, 2020	January 14, 2021	30	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	30	3.19	Payment of interest on a yearly basis	SSE
20G1 EBS Public Offering Corporate Bonds (First Tranche) (Type 1)	20 EVERBRIGHT SECURITIES G1	163641	June 22, 2020	June 22, 2023	15	3.10	Payment of interest on a yearly basis	SSE
20G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1)	20 EVERBRIGHT SECURITIES G3	163731	July 14, 2020	July 14, 2023	37	3.60	Payment of interest on a yearly basis	SSE
20Y1 EBS Public Offering Perpetual Subordinated Bonds (First Tranche)	20 EVERBRIGHT SECURITIES Y1	175000	August 17, 2020	August 17, 2025	20	4.40	Payment of interest on a yearly basis	SSE

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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 announcement No. Lin 2020-012 dated January 21, 2020 published on the website of the SSE and the announcement dated January 21, 2020 published on the website of 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 announcement No. Lin 2020-020 dated February 15, 2020 published on the website of the SSE and the announcement dated February 15, 2020 published on the website of the Hong Kong Stock Exchange for details.

The principal and interest on 17 EVERBRIGHT SECURITIES 06 were paid on April 27, 2020 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the announcement No. Lin 2020-045 dated April 28, 2020 published on the website of the SSE and the announcement dated April 28, 2020 published on the website of the Hong Kong Stock Exchange for details.

The principal and interest on 17 EVERBRIGHT SECURITIES G1 were paid on July 6, 2020 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities.

The principal and interest on 18 EVERBRIGHT SECURITIES 05 were paid on July 30, 2020 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities.

17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3, 17 EVERBRIGHT SECURITIES G4, 18 EVERBRIGHT SECURITIES G2, 18 EVERBRIGHT SECURITIES G3, 20 EVERBRIGHT SECURITIES G1, 20 EVERBRIGHT SECURITIES G3 and 20 EVERBRIGHT SECURITIES Y1 are targeted at professional investors for public offering.

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

Please refer to Note 50 to the condensed consolidated financial statements in this report for details of information on the existing bonds of Company's subsidiaries during the Reporting Period.

SECTION VIII 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 International Credit Rating Co., Ltd.
	Office address	Building 6, Galaxy SOHO, No.2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing

Abbreviation	Code	Trustee manager	Credit rating agency
17 EVERBRIGHT SECURITIES G2	143155.SH	Guotai Junan Securities	China Chengxin International Credit Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G3	143325.SH	Guotai Junan Securities	China Chengxin International Credit Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G4	143326.SH	Guotai Junan Securities	China Chengxin International Credit Rating Co., Ltd.
18 EVERBRIGHT SECURITIES G2	143576.SH	Guotai Junan Securities	China Chengxin International Credit Rating Co., Ltd.
18 EVERBRIGHT SECURITIES G3	143652.SH	Guotai Junan Securities	China Chengxin International Credit Rating Co., Ltd.
18 EVERBRIGHT SECURITIES 06	150585.SH	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES C1	150942.SH	China Galaxy Securities	No rating required for non-public offering of bonds
19 EVERBRIGHT SECURITIES 01	151115.SH	Industrial Securities	No rating required for non-public offering of bonds
19 EVERBRIGHT SECURITIES 02	162002.SH	Industrial Securities	No rating required for non-public offering of bonds
20 EVERBRIGHT SECURITIES D1	162950.SH	Soochow Securities	No rating required for non-public offering of bonds
20 EVERBRIGHT SECURITIES F1	166222.SH	China Merchants Securities	No rating required for non-public offering of bonds
20 EVERBRIGHT SECURITIES G1	163641.SH	China Merchants Securities	China Chengxin International Credit Rating Co., Ltd.
20 EVERBRIGHT SECURITIES G3	163731.SH	China Merchants Securities	China Chengxin International Credit Rating Co., Ltd.
20 EVERBRIGHT SECURITIES Y1	175000.SH	CITIC Securities	China Chengxin International Credit Rating Co., Ltd.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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

Bond trustee manager	Name	Industrial Securities Co., Ltd.
	Office address	No.36 Changliu Road, Pudong New Area, Shanghai, PRC
	Contact person	Yang Lingshan
	Telephone	021-20370733
Bond trustee manager	Name	China Galaxy Securities Co., Ltd.
	Office address	Level 2-6, No. 35 Financial Street, Xicheng District, Beijing, PRC
	Contact person	Chen Qu
	Telephone	010-83574504
Bond trustee manager	Name	Guotai Junan Securities Co., Ltd.
	Office address	No.618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone
	Contact person	Wang Kunpeng
	Telephone	021-38032625
Bond trustee manager	Name	Soochow Securities Co., Ltd.
	Office address	Soochow Securities Building, No. 5 Xinyang Street, Suzhou Industrial Park Zone, PRC
	Contact person	Qian Yao
	Telephone	0512-62938667
Bond trustee manager	Name	China Merchants Securities Co., Ltd.
	Office address	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong Province, PRC
	Contact person	Liu Huachao
	Telephone	010-60840902
Bond trustee manager	Name	CITIC Securities Co., Ltd.
	Office address	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province, PRC
	Contact person	Zhang Baole
	Telephone	010-60837524

III. Use of Proceeds Raised from Issuance of Corporate Bonds

(I) Use of proceeds

The proceeds raised from the issuance of 17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3, 17 EVERBRIGHT SECURITIES G4, 18 EVERBRIGHT SECURITIES G2, 18 EVERBRIGHT SECURITIES 06 and 18 EVERBRIGHT SECURITIES G3, after deducting issuance expenses and other related expenses, were all 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, were all used for repayment of due, redeemed or sell-backed debt financing instruments.

90% and 10% of the proceeds raised from the issuance of 20 EVERBRIGHT SECURITIES F1, after deducting issuance expenses and other related expenses, were used for repayment of due debt financing instruments and to support business in relation to epidemic prevention and control, respectively.

The proceeds raised from the issuance of 20 EVERBRIGHT SECURITIES G1 and 20 EVERBRIGHT SECURITIES G3, after deducting issuance expenses and other related expenses, were all used in the replenishment of working capital of the Company needed for its daily operations.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

The proceeds raised from the issuance of “20 EVERBRIGHT SECURITIES Y1”, after deducting issuance expenses and other related expenses, are intended to be used in the replenishment of working capital and repayment of due debts.

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 tranche, 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 trust managers that supervise the proceeds, pursuant to which the Company set up a special account for the proceeds raised from bond issuance for each tranche. 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 and the drawdown and utilization of the proceeds were in line with the purposes of the proceeds as stated in the prospectuses.

IV. Information on Credit Rating Agency of Corporate Bonds

China Chengxin International Credit Rating Co., Ltd. was engaged by the Company to conduct rating of the Company. According to the Subject Credit Rating Report issued by China Chengxin Securities Rating in July 2020, the Company’s credit rating is maintained as AAA after the final review by the China Chengxin International Credit Rating Committee.

On May 26, 2020, China Chengxin International 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 G2” and “18 EVERBRIGHT SECURITIES G3”, and issued a Track Rating Report (2020) on the Corporate Bonds of Everbright Securities Co., Ltd., in which the Company maintained AAA corporate credit rating; the outlook for the rating was stable; the aforesaid corporate bonds maintained AAA credit rating. The full text of the Track Rating Report (2020) on the Corporate Bonds of Everbright Securities Co., Ltd. is available on the website of the SSE (<http://www.sse.com.cn>). The credit ratings of “20 EVERBRIGHT SECURITIES G1”, “20 EVERBRIGHT SECURITIES G3” and “20 EVERBRIGHT SECURITIES Y1” issued in 2020 are all AAA.

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

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

The Company performs its obligations in respect of annual interest payment and principal repayment with interest upon expiry of each tranche 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.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

VI. Performance of Trustee Manager of Corporate Bonds

Industrial Securities Co., Ltd. was engaged as the bond trust manager of "18 EVERBRIGHT SECURITIES 06", "19 EVERBRIGHT SECURITIES 01" and "19 EVERBRIGHT SECURITIES 02"; China Galaxy Securities Co., Ltd. was engaged as the bond trust manager of "18 EVERBRIGHT SECURITIES C1"; and Guotai Junan Securities Co., Ltd. was engaged as the bond trust manager of "17 EVERBRIGHT SECURITIES G2", "17 EVERBRIGHT SECURITIES G3", "17 EVERBRIGHT SECURITIES G4", "18 EVERBRIGHT SECURITIES G2" and "18 EVERBRIGHT SECURITIES G3"; Soochow Securities Co., Ltd. was engaged as the bond trust manager of "20 EVERBRIGHT SECURITIES D1". China Merchants Securities Co., Ltd. was engaged as the bond trust manager of "20 EVERBRIGHT SECURITIES F1", "20 EVERBRIGHT SECURITIES G1" and "20 EVERBRIGHT SECURITIES G3". CITIC Securities Co., Ltd. was engaged as the bond trust manager of "20 EVERBRIGHT SECURITIES Y1". The Company entered into the respective Bond Trustee Management Agreements with the above bond trust managers.

During the Reporting Period, the bond trust managers performed their duties according to the Bond Trustee Management Agreements. Pursuant to the Bond Trustee Management Agreements, in the first half of 2020, Industrial Securities issued the Interim Report of Industrial Securities Co., Ltd. on Everbright Securities Company Limited Corporate Bond Trust Management Affairs for a total of five times; China Galaxy Securities issued the China Galaxy Securities Co., Ltd. Temporary Entrustment of Major Issues in Everbright Securities Company Limited for a total of nine times. The above reports have been disclosed on the website of the SSE (<http://www.sse.com.cn>) for the attention of investors.

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

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

Unit: Yuan Currency: RMB

Main indicator	As of the end of the Reporting Period	As of the end of last year	Increase/decrease for the end of Reporting Period over the end of last year (%)	Reason for the change
Current ratio	2.28	2.61	(12.76)	–
Quick ratio	1.43	1.67	(14.32)	–
Gearing ratio (%)	66.51	69.11	decreased by 2.6 percentage points	–
Loan payment ratio (%)	not applicable	not applicable	not applicable	–
Balance of cash and cash equivalents	53,054,416,221.58	48,127,755,020.57	10.24	–

	During the Reporting Period (January to June)	During the same period of last year	Increase/decrease for the end of Reporting Period over the same period of last year (%)	Reason for the change
EBITDA	4,392,710,955.30	4,293,729,573.81	2.31	–
EBITDA interest coverage ratio	4.16	2.98	39.75	Decrease of bond interest payable
Interest payment ratio	140.62	131.41	increased by 9.21 percentage points	–

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

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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

During the Reporting Period, the Company's other debt financing instruments included revenue certificates, margin refinancing from CSFC, inter-bank borrowings, asset-backed plans backed by margin account debts and commercial papers. The principal and interest of the financing instruments were all paid in a timely manner.

IX. Banking Facilities of the Company During the Reporting Period

As of June 30, 2020, the total amount of banking facilities of the Company amounted to approximately RMB240 billion, of which the amount of approximately RMB45 billion were used and the remaining amount of approximately RMB195 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; no risk that could lead to failure in future payments on schedule was found.

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

I. Relevant Information on the Significant Administrative Permission Items of the Company

Date	Work unit	Document number	Title of document
February 3, 2020	Issuance and Listing Service Center of SSE	Shang Zheng Fa Han [2020] No. 9	Regulatory Work Letter
April 10, 2020	SSE	SSE Regulatory Decision [2020] No. 7	Decision on Making Regulatory Warnings to Cheng Gang and Wang Shiwei as Sponsor Representatives
April 10, 2020	Listing Approval Center of SSE Sci-tech Innovation Board	Shang Zheng Ke Shen (Regulatory Work) [2020] No. 13	Regulatory Work Letter in Relation to Everbright Securities Company Limited
April 14, 2020	Listing Approval Center of SSE Sci-tech Innovation Board	Shang Zheng Ke Shen (Regulatory Work) [2020] No. 16	Regulatory Work Letter in relation to Everbright Securities Company Limited
May 6, 2020	Hunan Securities Regulatory Bureau of the China Securities Regulatory Commission	Xiang Zheng Jian Han [2020] No. 201	Letter of Concern on the Pre-listing Tutoring in Relation to Zhonghuilv and Hongxing Cold Chain Projects of Everbright Securities
June 2, 2020	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Ji Gou Zi [2020] No. 193	Regulatory Letter of Concern
June 4, 2020	SSE Membership Division	Shang Zheng Hui [2020] No. 016	Regulatory Work Letter
June 22, 2020	China Securities Regulatory Commission	Jian Zheng Xu Ke [2020] No. 1242	Approval of the Certification of Everbright Securities Company Limited regarding Investment Fund Custody
June 31, 2020	Securities Association of China	Securities Association of China Industry Self-regulatory Measure Decision [2020] No. 11	Decision on Imposing Warning Self-regulatory Measures on Wei Xiangliang
July 7, 2020	National Equities Exchange and Quotations Co., Ltd.	NEEQ Self-regulatory Measure Decision [2020] No. 18	Decision on Imposing Self-regulatory Measures on Zhang Yuling

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

II. Classification Results of the Company from Regulatory Authorities

In 2017, the Company was awarded a regulatory classification rating for securities firms of Grade A of Category A.

In 2018, the Company was awarded a regulatory classification rating for securities firms of Grade A of Category A.

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

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

(I) Business Qualifications of the Company

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

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority

Business Qualification

Qualification for equity securities returns swap business (Letter of No Objection on Engaging in Equity Securities Returns Swap Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2013] No. 30)

Market making for options (Reply on Opinions of Everbright Securities Company Limited in Market Making for Stock Options, Ji Gou Bu Han [2019] No. 3065)

Market making for options (Reply on Approving the Qualification of Everbright Securities Company Limited in Market Making for Stock Options, Zheng Jian Xu Ke [2015] No. 164)

Qualification for margin financing and securities lending businesses (Zheng Jian Xu Ke [2010] No. 314)

Securities transactions under repurchase agreements (pilot), (Ji Gou Bu Bu Han [2012] No. 459)

Qualification for entrusted investment management (Reply on Approving the Qualification of Everbright Securities Limited in Entrusted Investment Management, Zheng Jian Ji Gou Zi [2002] No. 127)

Carrying out of direct investment business (pilot) (Letter of No Objection on Carrying Out Direct Investment Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2008] No. 446)

Notice on supporting the carrying out of credit derivatives by securities companies and serving private enterprises in bond financing (Hu Zheng Jian Ji Gou Zi [2019] No. 41)

Letter of No Objection on Carrying Out Client Securities Capital Consumption Payment Services Business (Pilot) by Everbright Securities Company Limited, CSRC Ji Gou Bu Bu Han [2012] No. 560)

Qualification for securities investment funds custodian business (Zheng Jian Xu Ke [2020] No. 1242)

Securities Association of China

Qualification for nominated advisers and brokers engaged in agency share transfer business (Notice on Granting Qualification for Nominated Advisers and Brokers Engaged in Agency Share Transfer Business, Zhong Zheng Xie Fa [2003] No. 94)

Qualification for stock quotation and transfer business (Letter on Granting Qualification for Quotation and Transfer Business to Everbright Securities Company Limited, Zhong Zheng Xie Han [2006] No. 3)

Become a secondary dealers for OTC options business to carry out related OTC options business (Letter on Unifying the Filing of Secondary Dealers for OTC Options Businesses, Zhong Zheng Xie Han [2018] No. 657)

Underwriting of SME private placement bonds (Zhong Zheng Xie Han [2012] No. 374)

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
Shanghai Stock Exchange	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)
	Market making for SSE 50ETF options (Qualification for Lead Market Maker of SSE 50ETF Options, Shang Zheng Han [2016] No. 152)
	Qualification for participant of stock options transactions of Shanghai Stock Exchange (stock options brokerage, transaction authority for proprietary trading business) (Notice on Everbright Securities Company Limited Becoming a Participant of Stock Options Transactions of Shanghai Stock Exchange, Shang Zheng Han [2015] No. 63)
	Qualifications for A-share trading unit transactions under Southbound Trading (Shang Zheng Han [2014] No. 650)
	Authority for securities transactions under repurchase agreements (Shang Zheng Hui Zi [2012] No. 176)
	Authority for collateralized stock repurchase transactions (Shang Zheng Hui Zi [2013] No. 67)
Shenzhen Stock Exchange	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)
	Authority for securities transactions under repurchase agreements (Shen Zheng Hui [2013] No. 15)
	Authority for collateralized stock repurchase transactions (Shen Zheng Hui [2013] No. 58)
	Financing for exercise of options under share options incentive schemes of listed companies (pilot) (Shen Zheng Han [2014] No. 320)
	Authority for transactions under Southbound Trading of Shenzhen Connect (Shen Zheng Hui [2016] No. 330)
	Dealer Authority for option transactions on Shenzhen Stock Exchange (Shen Zheng Hui [2019] No. 470)
Other Institutions	Market Maker of CSI 300ETF options of China Financial Futures Exchange (Notice on announcing the name list of Market Maker of CSI 300ETF Options)
	Market making for National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2014] No. 772)
	Filing as outsourcing services institution for private funds (Asset Management Association of China Filing Number: A00037)

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	Qualification for commercial paper transactions of Shanghai Commercial Paper Exchange (Piao Jiao Suo [2017] No. 9)
	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)
	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)
	Interest rate swaps
	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)
	Margin refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 124)
	Refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 115)
	Securities lending refinancing (pilot) (Zhong Zheng Jin Han [2013] No. 45)
	Adjusting the credit limit of refinancing (Zhong Zheng Jin Han [2014] No. 278, Zhong Zheng Jin Han [2016] No. 28)
	Trial qualification for Agreed Reporting Refinancing Business on Sci-Tech Innovation Board (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)
China Securities Registration and Settlement Co., Ltd.	Qualification for account opening agency
	Qualification for class A clearing participant (Zhong Guo Jie Suan Han Zi [2008] No. 12)
	Qualification for participation in multilateral net amount guarantee settlement (Zhong Guo Jie Suan Fa Zi [2014] No. 28)

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	Qualification for digital certificate service agency
	Qualification for securities pledge registration agency
	Qualification for settlement of options (Zhong Guo Jie Suan Han Zi [2015] No. 28)
	Qualification for remote account opening for special institutions and products
Interbank Market Clearing House Co., Ltd.	Qualification for net settlement of bond transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Zhun Zi [2015] No. 049)
	Qualification for the remote Centralized Clearing Business of standard bond 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	License for carrying out securities futures business in the People's Republic of China (serial number: 000000000653)
	License for Qualified domestic investor to carry out overseas securities investment and management business (Reply on Approving the Establishment of a Securities Asset Management Subsidiary of Everbright Securities Company Limited) (Zheng Jian Xu Ke [2011] No.1886)
	Entrusted insurance fund management http://www.gov.cn/gzdt/2012-10/12/content_2242366.htm
Everbright Futures and its subsidiaries	Commodity futures brokerage (CSRC)
	Financial futures brokerage (CSRC Zheng Jian Qi Huo Zi [2007] No. 297)
	Qualification for IB business (CSRC Shanghai Bureau, Hu Zheng Jian Qi Huo Zi [2010] No. 74)

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Name of Subsidiary	Business Qualification
	Futures investment consultancy (CSRC Zheng Jian Xu Ke [2011] No. 1770)
	Asset management (CSRC Zheng Jian Xu Ke [2012] No. 1499)
	Public offering of securities and sales of investment funds (CSRC Shanghai Bureau, Hu Zheng Jian Xu Ke [2017] No. 10)
	Qualification for the comprehensive settlement of financial futures (Zheng Jian Qi Huo Zi [2007] No.298)
	Stock options (Shanghai Stock Exchange Shang Zheng Han [2015] No. 168)
	Business qualification of Everbright Photon Investment Management Co., Ltd: warehouse receipt service, pricing service (currently updated as over-the-counter derivatives business), basis transaction (currently updated as basis trading), third-party risk management service (currently updated as other businesses related to risk management services) (Zhong Qi Xie Han Zi [2014] No. 364)
	Business qualifications of Everbright Photon Investment Co., Ltd: Market making (Zhong Qi Xie Bei Zi [2018] No. 56)
Everbright Capital	Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch))
Everbright Development	Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch))
Everbright Fortune International Leasing	Business Permit for Medical Devices (Hu Pu Shi Yao Jian Xie Jing Ying Xu 20150229)
Everbright Fortune	Member of alternative investment subsidiaries (4th Batch of Private Investment Funds Subsidiaries and Member of Alternative Investment Subsidiaries of Securities Association of China)
Everbright Pramerica	License for carrying out securities futures business in the People's Republic of China (serial number: 000000029148)
	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)
	Qualified domestic 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)
	Entrusted insurance fund management

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

EBSHK	Sun Hung Kai Investment Services Limited	Type 1 regulated activity – Dealing in securities	(SFC AAC153)
		Type 4 regulated activity – Advising on securities	
		HKEx participant	(HKEx certificate number P1709)
		Financial intermediary business of the Monetary Authority of Macao	Monetary Authority of Macao
	Sun Hung Kai (Nominees) Limited	Associated entity	(SFC AAS942)
		Trust and corporate service provider	(Hong Kong Companies Registry license number TC002563)
	Sun Hung Kai Commodities Limited	Type 2 regulated activity – Dealing in futures contracts	(SFC AAF237)
	Sun Hung Kai Forex Limited	Type 3 regulated activity – Leveraged foreign exchange trading	(SFC ACI995)
		Money Service Operator	(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	(SFC AAI430)
		Type 6 regulated activity – Advising on corporate finance	
	SHK Fund Management Limited	Type 1 regulated activity – Dealing in securities	(SFC AAI432)
		Type 4 regulated activity – Advising on securities	
		Type 9 regulated activity – Asset management	
	China Everbright Securities (HK) Limited	Type 1 regulated activity – Dealing in securities	(SFC AAW536)
Type 4 regulated activity – Advising on securities			
Type 6 regulated activity – Advising on corporate finance			
Type 9 regulated activity – Asset management			
HKEx participant		(HKEx certificate number P1260)	

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

EBSHK	China Everbright Forex & Futures (HK) Limited	Type 2 regulated activity – Dealing in futures contracts	(SFC AEX690)
		Type 3 regulated activity – Leveraged foreign exchange trading	
	China Everbright Research Limited	Type 4 regulated activity – Advising on securities	(SFC AEH589)
	China Everbright Capital Limited	Type 1 regulated activity – Dealing in securities	(SFC ACE409)
		Type 4 regulated activity – Advising on securities	
		Type 6 regulated activity – Advising on corporate finance	
	China Everbright Securities Asset Management Limited	Type 1 regulated activity – Dealing in securities	(SFC AYE648)
		Type 4 regulated activity – Advising on securities	
		Type 9 regulated activity – Asset management	
	Sun Hung Kai Wealth Management Limited	Insurance brokerage business – General insurance and long-term insurance (including investment-linked long-term insurance)	(Hong Kong Insurance Authority FB1134)
		Mandatory Provident Fund intermediary	(Hong Kong Mandatory Provident Fund Schemes Authority IC000854)
	Sun Hung Kai Insurance Consultants Limited	Insurance brokerage business – General insurance and long-term insurance (including investment-linked long-term insurance)	(Hong Kong Insurance Authority FB1019)
		Insurance brokerage business of the Monetary Authority of Macao	(Monetary Authority of Macao 02/CRE)
		Mandatory Provident Fund intermediary	(Hong Kong Mandatory Provident Fund Schemes Authority IC000203)
China Everbright Wealth Management Limited	Insurance brokerage business – General insurance and long-term insurance (including investment-linked long-term insurance)	(Hong Kong Insurance Authority FB1153)	

SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

EBSHK	Sun Hung Kai Insurance Agency Limited	Insurance agent business	(Hong Kong 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: 0868/2020)
	Sun Hung Kai Bullion Company Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: <ul style="list-style-type: none"> - 99 Tael Gold - 999.9 Kilo Gold HKD - Loco London Gold - Loco London Silver 	(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M950; membership number: 044)
	Sun Hing Bullion Company Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: <ul style="list-style-type: none"> - 99 Tael Gold - 999.9 Kilo Gold HKD 	(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M949; membership number: 040)
	Shun Loong Bullion Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: <ul style="list-style-type: none"> - 99 Tael Gold - 999.9 Kilo Gold HKD 	(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M951; membership number: 068)
	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 global depositary receipt cross-border conversion institution in UK for the Shanghai-London Stock Connect program	(Registration Number of English corporate: 07106467, a member of London Stock Exchange and registered in UK Financial Conduct Authority-Ref. NO.: 524544, Chinese Depositary Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange -Shang Zheng Han [2019] No. 2141)

Everbright Securities Company Limited

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

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2020



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INDEPENDENT REVIEW REPORT

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 76, which comprises the condensed consolidated statement of financial position of Everbright Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with IAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
26 August 2020

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Revenue			
Fee and commission income	4	4,333,221	3,391,741
Interest income	5	2,812,068	3,039,856
Net investment gains	6	1,410,517	1,990,667
Total revenue		8,555,806	8,422,264
Other income and gains	7	394,478	200,450
Total revenue and other income		8,950,284	8,622,714
Fee and commission expenses	8	(669,397)	(519,901)
Interest expenses	9	(2,007,752)	(2,262,748)
Staff costs	10	(2,009,323)	(1,968,304)
Depreciation and amortization expenses	11	(351,819)	(319,755)
Tax and surcharges		(37,818)	(31,374)
Other operating expenses	12	(749,370)	(654,524)
Provision for contingent liabilities	13	-	(299,938)
Credit loss expense	14	(183,040)	(353,621)
Total expenses		(6,008,519)	(6,410,165)
Operating profit		2,941,765	2,212,549
Share of profits of associates and joint ventures		44,341	21,734
Profit before income tax		2,986,106	2,234,283
Income tax expense	15	(763,692)	(552,164)
Profit for the period		2,222,414	1,682,119
Attributable to:			
Shareholders of the Company		2,151,890	1,609,065
Non-controlling interests		70,524	73,054
Total		2,222,414	1,682,119
Basic and diluted earnings per share (in RMB per share)	17	0.4667	0.3490

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period	<u>2,222,414</u>	<u>1,682,119</u>
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income		
-Net changes in fair value	64,956	(50,679)
-Provision for ECL allowance	(8,598)	56,072
-Reclassified to profit or loss	(65,649)	(21,593)
Share of other comprehensive income of associates	(369)	7,203
Exchange differences on translation of financial statements in foreign currencies	36,195	9,339
Income tax impact	<u>2,309</u>	<u>4,114</u>
Total items that may be reclassified subsequently to profit or loss	<u>28,844</u>	<u>4,456</u>
Items that will not be reclassified subsequently to profit or loss:		
Equity instruments at fair value through other comprehensive income		
-Net changes in fair value	(62,999)	258,836
-Income tax impact	<u>15,750</u>	<u>(64,709)</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(47,249)</u>	<u>194,127</u>
Total other comprehensive income for the period, net of tax	<u>(18,405)</u>	<u>198,583</u>
Total comprehensive income for the period	<u><u>2,204,009</u></u>	<u><u>1,880,702</u></u>
Attributable to:		
Shareholders of the Company	2,114,431	1,803,524
Non-controlling interests	<u>89,578</u>	<u>77,178</u>
Total	<u><u>2,204,009</u></u>	<u><u>1,880,702</u></u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current assets			
Property and equipment	18	854,976	828,811
Right-of-use assets	19	687,899	755,776
Goodwill	20	1,036,042	1,016,193
Other intangible assets	21	240,548	314,058
Interests in associates and joint ventures	23	1,040,225	1,039,416
Financial assets measured at amortized cost	24	5,187,401	5,768,844
Equity instruments at fair value through other comprehensive income	25	5,014,658	5,072,522
Debt instruments at fair value through other comprehensive income	26	7,789,293	8,875,024
Financial assets held under resale agreements	27	-	584,840
Financial assets at fair value through profit or loss	36	308,250	-
Refundable deposits	28	5,385,001	4,415,528
Deferred tax assets	29	1,486,581	1,618,157
Finance lease receivables	30	994,099	1,598,189
Receivable arising from sale-and-leaseback arrangements	31	467,300	254,379
Other non-current assets	32	153,510	168,855
Total non-current assets		30,645,783	32,310,592
Current assets			
Accounts receivable	33	3,206,431	3,077,872
Finance lease receivables	30	1,463,272	1,644,785
Receivable arising from sale-and-leaseback arrangements	31	382,517	199,676
Other receivables and prepayments	34	1,885,996	1,809,717
Margin accounts receivable	35	37,079,445	34,118,659
Debt instruments at fair value through other comprehensive income	26	3,012,848	3,677,843
Financial assets held under resale agreements	27	5,309,684	7,700,967
Financial assets measured at amortized cost	24	1,073,334	1,437,022
Financial assets at fair value through profit or loss	36	65,006,857	65,403,594
Derivative financial assets	37	30,086	9,239
Clearing settlement funds	38	767,791	1,723,018
Cash held on behalf of brokerage clients	39	47,113,275	39,937,491
Cash and bank balances	40	8,060,813	11,039,872
Total current assets		174,392,349	171,779,755
Total assets		205,038,132	204,090,347

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
		(Unaudited)	(Audited)
Current liabilities			
Loans and borrowings	42	9,470,888	7,868,827
Short-term debt instruments	43	11,888,735	4,489,383
Placements from other financial institutions	44	7,483,056	6,063,705
Financial liabilities at fair value through profit or loss	45	561,256	893,218
Accounts payable to brokerage clients	46	53,292,258	45,710,991
Employee benefits payable	47	2,127,891	1,557,274
Other payables and accruals	48	5,529,675	7,633,982
Current tax liabilities	29	542,441	653,972
Financial assets sold under repurchase agreements	49	19,241,791	24,636,110
Derivative financial liabilities	37	178,981	103,677
Lease liabilities due within one year	19	213,745	255,681
Long-term bonds due within one year	50	11,932,385	23,175,697
Total current liabilities		<u>122,463,102</u>	<u>123,042,517</u>
Net current assets		<u>51,929,247</u>	<u>48,737,238</u>
Total assets less current liabilities		<u>82,575,030</u>	<u>81,047,830</u>
Non-current liabilities			
Loans and borrowings	42	469,661	3,811,364
Long-term bonds	50	25,436,724	24,180,767
Deferred tax liabilities	29	64,794	128,462
Employee benefits payable	47	1,916	998
Provision	13	3,002,823	3,010,922
Lease liabilities	19	473,374	489,167
Other non-current liabilities	51	2,197,282	407,342
Total non-current liabilities		<u>31,646,574</u>	<u>32,029,022</u>
Net assets		<u><u>50,928,456</u></u>	<u><u>49,018,808</u></u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2020



(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Equity			
Share capital	52	4,610,788	4,610,788
Reserves	53	33,025,880	33,048,762
Retained profits	53	11,716,437	9,785,175
Total equity attributable to shareholders of the Company		49,353,105	47,444,725
Non-controlling interests		1,575,351	1,574,083
Total equity		<u>50,928,456</u>	<u>49,018,808</u>

Approved and authorized for issue by the Board of Directors on 26 August 2020.

Director

Director

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity	
	Share capital	Capital reserve	Surplus reserves	General reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Translation reserve	Retained profits			Total
As at 1 January 2020 (Audited)	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
Profit for the period	-	-	-	-	-	-	2,151,890	2,151,890	70,524	2,222,414
Other comprehensive income	-	-	-	-	(54,600)	17,141	-	(37,459)	19,054	(18,405)
Total comprehensive income	-	-	-	-	(54,600)	17,141	2,151,890	2,114,431	89,578	2,204,009
Other movements in capital reserve	-	(35,452)	-	-	-	-	-	(35,452)	-	(35,452)
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	(403)	-	403	-	-	-
Appropriation to general reserve	-	-	-	50,432	-	-	(50,432)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(170,599)	(170,599)	(88,310)	(258,909)
As at 30 June 2020 (Unaudited)	4,610,788	23,243,332	2,971,443	6,919,020	83,537	(191,452)	11,716,437	49,353,105	1,575,351	50,928,456

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before income tax	2,986,106	2,234,283
Adjustments for:		
Interest expenses	1,372,072	1,813,744
Share of profits of associates and joint ventures	(44,341)	(21,734)
Depreciation and amortization expenses	353,511	319,755
Credit loss expense	183,040	353,621
(Gains)/losses on disposal of property and equipment and other intangible assets	(820)	13
Provision for contingent liabilities	-	299,938
Foreign exchange losses/(gains)	1,195	(2,289)
Interest income and net realized gains from disposal of debt instruments through other comprehensive income and financial instruments at amortized cost	(512,600)	(429,316)
Loss on disposal of associates and joint ventures	6	467
Dividend income from equity instruments at fair value through other comprehensive income	(233)	(180)
Unrealized fair value changes of financial instruments at fair value through profit or loss	(319,637)	(1,008,479)
Unrealized fair value changes of derivative financial instruments	(117)	9,785
	<u>4,018,182</u>	<u>3,569,608</u>
Operating cash flows before movements in working capital	<u>4,018,182</u>	<u>3,569,608</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
(continued)		
Increase in refundable deposits	(969,473)	(755,199)
Increase in margin accounts receivable	(2,959,471)	(2,176,297)
Decrease in finance lease receivables	795,483	1,137,425
Increase in receivable arising from sale-and-leaseback arrangements	(403,029)	(510,477)
Decrease in accounts receivable and other current assets	606,573	496,800
Decrease in financial assets held under resale agreements	2,780,150	22,115,733
Decrease in financial instruments at fair value through profit or loss	76,161	9,513,651
Decrease/(increase) in derivative financial instruments	54,574	(385,747)
Decrease/(increase) in restricted bank deposits	606,363	(18,882)
Increase in cash held on behalf of brokerage clients	(7,189,343)	(7,969,191)
(Increase)/decrease in other investments	(65,979)	279,082
Increase in accounts payable to brokerage clients	7,512,823	10,619,918
Decrease in other payables and accruals	(373,837)	(4,105,925)
Increase in employee benefits payable	571,535	432,579
(Decrease)/increase in financial assets sold under repurchase agreements	(5,394,319)	1,734,939
Increase/(decrease) in placements from other financial institutions	1,419,351	(1,307,072)
	<hr/>	<hr/>
Cash generated from operations	1,085,744	32,670,945
Income taxes paid	(789,256)	(462,056)
Interest paid for operating activities	(626,042)	(452,385)
	<hr/>	<hr/>
Net cash flows (used in)/from operating activities	(329,554)	31,756,504

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
Cash flows from investing activities:			
Proceeds from disposal of property and equipment and other intangible assets		21,774	7,457
Proceeds from disposal of associates and joint ventures		22,900	32,083
Interest income from debt instruments at fair value through other comprehensive income and financial instruments at amortized cost		433,376	336,816
Proceeds from disposal/(purchase) of financial assets at fair value through other comprehensive income		1,776,496	(2,916,534)
Proceeds from disposal/(purchase) of investments classified as receivables and other investments		2,070,101	(1,231,737)
Purchases of property and equipment, other intangible assets and other non-current assets		(133,794)	(178,923)
		<u>4,190,853</u>	<u>(3,950,838)</u>
Net cash flows from/(used in) investing activities			
Cash flows from financing activities:			
Proceeds from issuance of long-term bonds		5,106,311	3,200,000
Proceeds from issuance of short-term debt instruments		25,005,120	15,637,850
Proceeds from bank and other loans		6,256,008	3,628,375
Lease payments paid		(186,270)	(173,992)
Long-term bonds repaid		(15,111,484)	(5,684,925)
Short-term debt instruments repaid		(17,625,720)	(22,658,630)
Bank and other loans repaid		(7,995,652)	(5,069,988)
Interest paid on loans, bonds and debt instruments		(1,483,222)	(1,891,949)
Dividends paid		(123,143)	(92,820)
		<u>(6,158,052)</u>	<u>(13,106,079)</u>
Net cash flows used in financing activities			
Net (decrease)/increase in cash and cash equivalents		(2,296,753)	14,699,587
Cash and cash equivalents at the beginning of the period		8,241,628	5,759,960
Effect of foreign exchange rate changes		34,068	6,793
		<u>5,978,943</u>	<u>20,466,340</u>
Cash and cash equivalents at the end of the period	41		

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

(All amounts expressed in RMB thousands unless otherwise specified)

1. GENERAL INFORMATION

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

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

On 1 September 2015, the Company completed the change of registration procedures for securities sold in a private placement to certain investors. Following the completion of this private placement, the total number of share capital of the Company increased from 3,418,000,000 A Shares to 3,906,698,839 A Shares and the registered share capital of the Company increased from RMB3,418,000,000 to RMB3,906,698,839.

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

As at 30 June 2020, the Company’s registered capital was RMB4,610,787,639 and the Company had a total of 4,610,787,639 issued shares of RMB1.00 each.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), as well as all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The application of the revised IFRSs has had no significant impact on the interim condensed consolidated financial statements of the Group.

With the restructuring of the Company's business planning to provide more reliable and relevant accounting information in financial reports, the Company has decided to adjust the statistical calibre of segment reports. Before the change in segment reporting, the segment was mainly divided into five business segments: brokerage and wealth management, credit business, institutional securities services, investment management, overseas business and others; and after the change, the segment was mainly divided into six business segments: wealth management, corporate finance, institutional customers, investment trading, asset management and equity investment and others. This change does not affect the financial statement data and presentation, and it only affects the presentation of segment reporting. The comparative amounts have been reclassified in accordance with the segment presentation requirements. Details of which are included in note 58 to the financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

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

The significant judgments made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019.

4. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Income arising from		
- Securities brokerage and investment advisory business	2,078,547	1,819,569
- Underwriting and sponsorship business	1,188,793	755,682
- Asset management business	857,545	620,622
- Futures brokerage business	140,166	115,268
- Financial advisory business	54,631	68,857
- Others	13,539	11,743
Total	4,333,221	3,391,741

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

5. INTEREST INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest income arising from		
- Margin financing and securities lending	1,237,458	1,196,806
- Deposit in financial institutions	893,352	774,175
- Debt instruments at fair value through other comprehensive income	224,923	222,993
- Financial assets measured at amortized cost	168,250	186,107
- Securities-backed lending and stock repurchases	164,542	494,561
- Finance lease receivables	68,833	130,401
- Receivable arising from sale-and-leaseback arrangements	16,170	9,570
- Financial assets held under resale agreements	619	7,682
- Others	37,921	17,561
Total	2,812,068	3,039,856

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Net realized gains/(losses) from		
- Financial instruments at fair value through profit or loss	269,435	36,049
- Derivative financial instruments	(72,226)	32,265
- Debt instruments at fair value through other comprehensive income	65,649	15,972
- Financial assets measured at amortized cost	1,212	(9,314)
Dividend and other income from		
- Financial instruments at fair value through profit or loss	826,460	916,821
- Equity instruments at fair value through other comprehensive income	233	180
Unrealized fair value changes of		
- Financial instruments at fair value through profit or loss	319,637	1,008,479
- Derivative financial instruments	117	(9,785)
Total	1,410,517	1,990,667

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Government grants	216,599	138,620
Income from bulk commodity trading	127,513	11,246
Income from the agent business	18,881	24,412
Rental income	11,977	9,796
Exchange (losses)/ gains	(1,195)	2,289
Others	20,703	14,087
Total	<u>394,478</u>	<u>200,450</u>

8. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Expenses arising from		
- Securities brokerage and investment advisory business	573,031	485,574
- Underwriting and sponsorship business	82,519	25,065
- Futures brokerage business	13,498	9,262
- Asset management business	349	-
Total	<u>669,397</u>	<u>519,901</u>

9. INTEREST EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest expenses for		
- Long-term bonds	1,054,785	1,439,755
- Financial assets sold under repurchase agreements	238,282	221,577
- Placements from other financial institutions	218,502	84,844
- Loans and borrowings	229,791	265,735
- Other structured entities' holders	100,101	87,336
- Short-term debt instruments	71,339	91,731
- Accounts payable to brokerage clients	56,986	49,224
- Lease liabilities	16,157	16,523
- Others	21,809	6,023
Total	<u>2,007,752</u>	<u>2,262,748</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

10. STAFF COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	1,770,052	1,675,318
Contributions to pension schemes	71,014	124,264
Other social welfare	168,257	168,722
Total	2,009,323	1,968,304

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

11. DEPRECIATION AND AMORTIZATION EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Amortization of right-of-use assets	159,808	137,543
Amortization of other intangible assets	115,062	105,837
Depreciation of property and equipment	52,315	55,971
Amortization of leasehold improvements and long-term deferred expenses	24,634	20,404
Total	351,819	319,755

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Cost of bulk commodity trading	133,638	11,212
IT operating expenses	129,146	113,211
Fund and asset management plan distribution and custodian expenses	118,599	122,316
Rental expenses and utilities	52,726	72,672
Business travel expenses	48,851	68,941
Promotion and entertainment expenses	48,518	65,011
Stock exchange management fees	34,751	16,185
Postal and communication expenses	34,285	37,772
Consulting and professional services	27,454	22,090
Securities/futures investor protection funds	27,215	33,983
Miscellaneous expenses	20,827	20,779
Auditors' remuneration	3,037	2,848
Others	70,323	67,504
Total	749,370	654,524

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

13. PROVISION FOR CONTINGENT LIABILITIES

(a) Provision

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Provision	3,002,823	3,010,922

(b) Provision for contingent liabilities

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	3,010,922	1,400,000
Provision for the period/year	-	1,610,922
Others	(8,099)	-
At the end of the period/year	3,002,823	3,010,922

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 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 that the senior-tranche limited partners are unable to exit their investments with indicated returns. One of the mid-tranche limited partners 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 partners are unable to exit their investments with indicated returns.

On 25 February 2019, the investment period of Jinxin Fund expired and Everbright Capital failed to exit as originally planned.

(All amounts expressed in RMB thousands unless otherwise specified)

13. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

In addition, in 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. In 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. In May 2020, Everbright JinHui received the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) Arbitration Award ([2020] Humao Arbitration No. 0338), which ruled that Everbright JinHui, as a respondent, shall pay Hua Rui Bank principal of RMB400 million and the corresponding expected income, legal fees, arbitration fees and other related expenses to Hua Rui Bank as applicant. In August 2020, Everbright Capital received the Paper of Civil Judgement of first instance ((2018) Hu 74 Min Chu No. 730) from the Shanghai Financial Court that Everbright Capital shall pay to Hua Rui Bank for principal of RMB400 million and the investment income from 1 January 2018 to the date of actual fulfillment, and bear the legal fees, preservation fee and other related expenses. As of the date of approval of the financial statements, the Group has appealed to the High Court. If Hua Rui Bank receives the original capital of its investment and the income due to the enforcement of the outcome of arbitration, the payment obligation of Everbright Capital under the above judgment will be decreased correspondingly.

In 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. The People’s Court of Jingan District of Shanghai has frozen the relevant equity interests in some investments held by Everbright Jinhui. In April 2020, Everbright Jinhui received the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) Arbitration Award ([2020] Humao Arbitration No. 0322), which ruled that Everbright Jinhui, Baofeng (Tianjin) Investment Management Co., Ltd. and Shanghai Qunchang Financial Services Co., Ltd., as respondents, shall pay Shenzhen Hengxiang’s investment principal of RMB150 million and the corresponding expected income, legal fees, arbitration fees and other related expenses.

In May 2019, Everbright Capital received the notice of responding to prosecution from the Shanghai Financial Court. The stakeholder of one of senior-tranche limited partners of JinXin Fund, China Merchants Bank Co., Ltd. (hereinafter referred to as “Merchants Bank”), 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, expected income, penalties and other related expenses. In August 2020, Everbright Capital received the Paper of Civil Judgement of first instance ((2019) Hu 74 Min Chu No. 601) from the Shanghai Financial Court that Everbright Capital shall pay RMB3,116 million and the accrued interest from 6 May 2019 to the date of actual payoff to Merchants Bank, and bear part of the legal fees, property preservation fee and other related expenses. As of the date of approval of the financial statements, the Group has appealed to the High Court.

(All amounts expressed in RMB thousands unless otherwise specified)

13. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

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, therefore, 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 billion as of 30 June 2020 (31 December 2019: RMB3 billion), in accordance with the relevant provisions of the IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Group has appealed to against the judgment of the first instance, and the relevant litigation is currently in progress. The Group has made the amount of provision based on possibility of the responsibility to be undertaken.

The provision was made based on an assessment and estimate of probable losses, 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, in 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. The Company will continue to monitor the progress and results of the matter, evaluate the responsibility to be undertaken, and disclose the relevant information.

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, Lin 2020-015, Lin 2020-049, Lin 2020-51 and Lin 2020-80 for more details.

14. CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Provision for/(reversal of) credit losses against		
- Financial assets held under resale agreements	195,973	112,843
- Finance lease receivables	(9,880)	(7,826)
- Debt instruments at fair value through other comprehensive income	(8,598)	57,293
- Receivable arising from sale-and-leaseback arrangements	7,267	2,548
- Margin accounts receivable	(3,777)	(38,780)
- Financial assets measured at amortized cost	2,416	208,372
- Other receivables and prepayments	(359)	(509)
- Accounts receivable	(2)	19,680
Total	183,040	353,621

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 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise specified)

15. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Current tax		
- Mainland China income tax	653,023	397,446
- Hong Kong profits tax	20,210	28,457
	<u>673,233</u>	<u>425,903</u>
Adjustment in respect of prior years		
- Mainland China income tax	2,480	7,391
- Hong Kong profits tax	1,878	3,515
	<u>4,358</u>	<u>10,906</u>
Deferred tax		
- Origination and reversal of temporary differences	86,101	115,355
	<u>86,101</u>	<u>115,355</u>
Total	<u><u>763,692</u></u>	<u><u>552,164</u></u>

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

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

16. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Dividends recognised as distribution	<u>170,599</u>	<u>461,079</u>

Pursuant to the resolution of the meeting of shareholders held on 2 June 2020, the Company distributed cash dividends of RMB0.37 yuan for every 10 shares (tax included) amounting to RMB170,599 thousand in total for the year ended 31 December 2019. On 24 July 2020, cash dividends recognised as distributions of the Company were paid.

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17. BASIC AND DILUTED EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company	<u>2,151,890</u>	<u>1,609,065</u>
Weighted average number of ordinary shares in issue (thousands)	<u>4,610,788</u>	<u>4,610,788</u>
Basic and diluted earnings per share attributable to equity shareholders (in RMB per share)	<u>0.4667</u>	<u>0.3490</u>

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

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18. PROPERTY AND EQUIPMENT

Cost	Buildings	Transportation machines	Electric equipment	Furniture and fixtures	Construction in progress	Total
As at 31 December 2018 (Audited)	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 (Audited)	914,993	114,178	598,053	343,048	3,105	1,973,377
Additions and others	-	-	76,396	4,069	323	80,788
Transfers during the period	-	-	-	-	(323)	(323)
Disposals	-	(2,229)	(3,433)	(5,241)	-	(10,903)
As at 30 June 2020 (Unaudited)	914,993	111,949	671,016	341,876	3,105	2,042,939
Accumulated depreciation						
As at 31 December 2018 (Audited)	(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 (Audited)	(317,528)	(24,265)	(534,906)	(267,867)	-	(1,144,566)
Charge for the period	(11,874)	(2,285)	(26,694)	(13,153)	-	(54,006)
Disposals and others	-	2,227	3,358	5,024	-	10,609
As at 30 June 2020 (Unaudited)	(329,402)	(24,323)	(558,242)	(275,996)	-	(1,187,963)
Carrying amount						
As at 30 June 2020 (Unaudited)	585,591	87,626	112,774	65,880	3,105	854,976
As at 31 December 2019 (Audited)	597,465	89,913	63,147	75,181	3,105	828,811

As at 30 June 2020 and 31 December 2019, included in buildings were items with carrying amounts of RMB1,234 thousand and RMB1,270 thousand, respectively, for which the Group has yet to obtain the relevant land or building certificates.

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19. 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:

	Buildings	Others	Total
Cost			
As at 1 January 2019 (Audited)	823,884	2,313	826,197
Additions	232,874	4,506	237,380
Disposals and others	(16,231)	-	(16,231)
As at 31 December 2019 (Audited)	1,040,527	6,819	1,047,346
Additions and others	111,603	1,015	112,618
Disposals	(54,316)	(884)	(55,200)
As at 30 June 2020 (Unaudited)	<u>1,097,814</u>	<u>6,950</u>	<u>1,104,764</u>
Accumulated depreciation			
As at 1 January 2019 (Audited)	-	-	-
Charge for the year	(293,234)	(1,204)	(294,438)
Disposals and others	2,868	-	2,868
As at 31 December 2019 (Audited)	(290,366)	(1,204)	(291,570)
Charge for the period	(159,075)	(733)	(159,808)
Disposals and others	34,073	440	34,513
As at 30 June 2020 (Unaudited)	<u>(415,368)</u>	<u>(1,497)</u>	<u>(416,865)</u>
Net carrying amount			
As at 30 June 2020 (Unaudited)	<u>682,446</u>	<u>5,453</u>	<u>687,899</u>
As at 31 December 2019 (Audited)	<u>750,161</u>	<u>5,615</u>	<u>755,776</u>

(ii) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Carrying amount at the beginning of the period/year	744,848	810,842
New leases	112,618	237,380
Accretion of interest recognised during the period/year	16,157	34,050
Payments	(186,270)	(351,308)
Others	(234)	13,884
Carrying amount at the end of the period/year	<u>687,119</u>	<u>744,848</u>
Analysed into:		
Current portion	<u>213,745</u>	<u>255,681</u>
Non-current portion	<u>473,374</u>	<u>489,167</u>

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19. LEASES (continued)

(a) The Group as a lessee (continued)

(iii) The amounts recognised in profit or loss in relation to leases are as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Amortization of right-of-use assets	159,808	137,543
Interest on lease liabilities	16,157	16,523
Expense relating to short-term leases	5,015	14,669
Expense relating to leases of low-value assets	825	1,151
Total	<u>181,805</u>	<u>169,886</u>

(iv) Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and the Group normally would choose to execute extension options to align with the Group's business needs and the termination option will not have a significant impact on the Group's financial statements.

(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 period was RMB11,977 thousand, details of which are included in note 7 to the financial statements.

As at 30 June 2020 and 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:

	As at	As at
	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Within one year	16,594	20,371
After one year but within two years	13,303	13,249
After two years but within three years	12,141	12,901
After three years but within four years	11,146	11,234
After four years but within five years	10,992	11,249
After five years	<u>37,767</u>	<u>43,280</u>
Total	<u>101,943</u>	<u>112,284</u>

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20. GOODWILL

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	226,055	192,785
Less: Provision for impairment losses	(647,131)	(647,131)
Effect of exchange rate changes for impairment provision	(47,083)	(33,662)
Carrying amount	<u>1,036,042</u>	<u>1,016,193</u>

21. OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
Cost			
As at 31 December 2018 (Audited)	859,870	740,202	1,600,072
Additions	3,727	92,063	95,790
As at 31 December 2019 (Audited)	863,597	832,265	1,695,862
Additions and others	2,275	39,277	41,552
Disposals	-	(120)	(120)
As at 30 June 2020 (Unaudited)	<u>865,872</u>	<u>871,422</u>	<u>1,737,294</u>
Accumulated amortization			
As at 31 December 2018 (Audited)	(572,755)	(591,103)	(1,163,858)
Charge for the year	(147,429)	(70,517)	(217,946)
As at 31 December 2019 (Audited)	(720,184)	(661,620)	(1,381,804)
Charge for the period	(75,787)	(39,275)	(115,062)
Disposals	-	120	120
As at 30 June 2020 (Unaudited)	<u>(795,971)</u>	<u>(700,775)</u>	<u>(1,496,746)</u>
Carrying amount			
As at 30 June 2020 (Unaudited)	<u>69,901</u>	<u>170,647</u>	<u>240,548</u>
As at 31 December 2019 (Audited)	<u>143,413</u>	<u>170,645</u>	<u>314,058</u>

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22. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

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

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

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

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

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, wealth management products, contribution to designated accounts at China Securities Finance Corporation Limited ("CSFC") and other issued by banks or other financial institutions. These vehicles are financed through the issued units to investors.

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

	As at 30 June 2020 (Unaudited)		
	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	-	13,840,894	13,840,894
Wealth management products	-	17,213,267	17,213,267
Contribution to designated accounts at CSFC	4,358,790	-	4,358,790
Others	-	2,262,333	2,262,333
Total	4,358,790	33,316,494	37,675,284

	As at 31 December 2019 (Audited)		
	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	-	19,919,556	19,919,556
Contribution to designated accounts at CSFC	4,491,547	-	4,491,547
Others	-	2,397,450	2,397,450
Total	4,491,547	35,786,084	40,277,631

(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN STRUCTURED ENTITIES (continued)

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

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

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Financial assets at fair value through profit or loss		
Funds	449,981	427,497
Wealth management products	1,503,845	1,448,392
Total	<u>1,953,826</u>	<u>1,875,889</u>

As at 30 June 2020 and 31 December 2019, the net assets of these unconsolidated structured entities in which the Group acted as an asset manager but did not have any interests amounted to RMB272,517,711 thousand and RMB327,087,379 thousand, respectively.

During the six months ended 30 June 2020 and 2019, the Group recognised the income from these unconsolidated structured entities in which the Group acted as an asset manager but did not have any interests amounted to RMB721,845 thousand and RMB524,867 thousand, respectively. As at 30 June 2020 and 31 December 2019, the corresponding remuneration receivables totalled RMB106,074 thousand and RMB128,528 thousand, respectively.

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Share of net assets		
- Associates	622,641	608,559
- Joint ventures	417,584	430,857
Total	<u>1,040,225</u>	<u>1,039,416</u>

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23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2020	As at 31 December 2019	
Associates:					
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
CREGG & 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%	30.00%	Investment management
Tianjin Zhongchen Zhongli Investment Management Co., Ltd.* 天津中城光麗投資管理有限公司	Tianjin	RMB 20,000,000	30.00%	30.00%	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%	30.00%	Investment management
Joint ventures					
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⁾ 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

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23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2020	As at 31 December 2019	
Joint ventures(continued)					
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 163,944,800	30.50%	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
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⁾ 上海光大光證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	56.67%	56.67%	Investment management
Jiaxing Everbright Meiyin No. 1 Investment LLP ⁽³⁾ 嘉興光大美銀壹號投資合夥企業(有限合夥)	Jiaxing	RMB 100,000,000	25.00%	25.00%	Investment management
Hangzhou Everbright Tunlian 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%	47.65%	Investment management

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23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2020	As at 31 December 2019	
Joint ventures(continued)					
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership) ^{*(2)} 上海光大富尊環蘭投資中心(有限合夥)	Shanghai	RMB 52,350,000	0.20%	0.20%	Investment management
Xinglu Dingtai Big Data Equity Investment Fund L.P. ^{*(2)} 星路鼎泰(桐鄉)大數據產業股權投資基金合夥企業(有限合夥)	Jiaxing	RMB 200,000,000	15.16%	15.16%	Investment management
Shanghai JinXin Investment Consultancy LLP (Limited Partnership) ^{*(2)(3)} 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.* 景甯光大生態壹號投資管理中心(有限合夥)	Lishui	RMB 20,000,000	20.00%	20.00%	Fund management
Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd ^{*(1)} 景甯余族自治縣光大生態經濟產業基金管理有限公司	Lishui	RMB 5,000,000	51.00%	51.00%	Investment management

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23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2020	As at 31 December 2019	
Joint ventures(continued)					
Gansu Duzhe Everbright Fund Management Co., Ltd.* ⁽¹⁾					
甘肅讀者光大私募基金管理有限公司	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
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
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 680,800,000	0.07%	0.07%	Investment management
Renqiu Jiyin 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⁾					
呼和浩特市昊天環建設有限公司	Hohhot	RMB 100,000,000	1.00%	1.00%	Investment management

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

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

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

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

(3) As at 30 June 2020, the Group's shareholdings of these investees have been restricted by the judicial department. Please refer to note 13(b) for details.

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23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Dacheng Fund Management Co., Ltd.

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Gross amounts of the associate:		
Assets	3,757,146	3,627,169
Liabilities	(1,335,355)	(1,261,708)
Net assets	<u>2,421,791</u>	<u>2,365,461</u>
	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Revenue	622,585	541,782
Profit for the period	150,805	148,420
Other comprehensive income	(1,475)	28,810
Total comprehensive income	149,330	177,230
Dividend received from the associate	<u>23,250</u>	<u>-</u>
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	2,421,791	2,365,461
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	<u>605,448</u>	<u>591,365</u>
Carrying amount in the consolidated financial statements	<u>605,448</u>	<u>591,365</u>

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Aggregate amounts of the Group's share of those associates and joint ventures' net gain/(losses)	<u>6,639</u>	<u>(15,371)</u>
Total comprehensive income	<u>6,639</u>	<u>(15,371)</u>
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	<u>434,777</u>	<u>448,051</u>

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24. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Non-current		
Debt securities	5,294,729	5,930,995
Others	189,634	189,634
Less: Allowance for ECLs	(296,962)	(351,785)
Total	5,187,401	5,768,844
Analysed as:		
Listed in Hong Kong	157,633	199,641
Listed outside Hong Kong	321,331	138,924
Unlisted	4,708,437	5,430,279
Total	5,187,401	5,768,844
Current		
Debt securities	1,124,286	1,438,374
Less: Allowance for ECLs	(50,952)	(1,352)
Total	1,073,334	1,437,022
Analysed as:		
Unlisted	1,073,334	1,437,022
Total	1,073,334	1,437,022

As at 30 June 2020, the financial assets measured at amortized cost which were pledged as collateral amounted to RMB2,787,510 thousand. (as at 31 December 2019: RMB2,562,962 thousand).

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	353,137	138,427
Charge for the period/year	3,143	288,990
Reversal for the period/year	(727)	(74,014)
Amounts written off	(8,290)	(712)
Others	651	446
At the end of the period/year	347,914	353,137

(b) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>4,142</u>	<u>30,987</u>	<u>312,785</u>	<u>347,914</u>
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>5,789</u>	<u>35,875</u>	<u>311,473</u>	<u>353,137</u>

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25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Equity securities	655,868	580,975
Contribution to designated accounts at CSFC	<u>4,358,790</u>	<u>4,491,547</u>
Total	<u>5,014,658</u>	<u>5,072,522</u>
Analysed as:		
Listed outside Hong Kong	72,328	-
Unlisted	<u>4,942,330</u>	<u>5,072,522</u>
Total	<u>5,014,658</u>	<u>5,072,522</u>

As at 30 June 2020, the non-current financial assets at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by CSFC have been classified as equity instruments at fair value through other comprehensive income since 1 January 2018. As at 30 June 2020, the cost and fair value of the Company's contribution were RMB4,380 million and RMB4,359 million based on the investment account statement provided by CSFC, respectively.

For the six months ended 30 June 2020, 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 realized gains of the equity instruments disposed of were RMB30,547 thousand and RMB537 thousand, respectively.

As at 30 June 2020, equity instruments at fair value through other comprehensive income of the Group included approximately RMB4,431,119 thousand of pledged or restricted.

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26. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Non-current		
Debt securities	<u>7,789,293</u>	<u>8,875,024</u>
Total	<u>7,789,293</u>	<u>8,875,024</u>
Analysed as:		
Listed outside Hong Kong	432,970	612,430
Unlisted	<u>7,356,323</u>	<u>8,262,594</u>
Total	<u>7,789,293</u>	<u>8,875,024</u>
Current		
Debt securities	<u>3,012,848</u>	<u>3,677,843</u>
Total	<u>3,012,848</u>	<u>3,677,843</u>
Analysed as:		
Listed outside Hong Kong	77,133	20,577
Unlisted	<u>2,935,715</u>	<u>3,657,266</u>
Total	<u>3,012,848</u>	<u>3,677,843</u>

As at 30 June 2020, the debt instruments at fair value through other comprehensive income which were pledged as collateral amounted to RMB5,120,099 thousand (31 December 2019: RMB5,100,306 thousand)

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	208,440	84,750
Charge for the period/year	-	152,089
Reversal for the period/year	(8,598)	-
Amounts written off	<u>(1,944)</u>	<u>(28,399)</u>
At the end of the period/year	<u>197,898</u>	<u>208,440</u>

(b) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>5,126</u>	<u>1,214</u>	<u>191,558</u>	<u>197,898</u>
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>6,570</u>	<u>47,622</u>	<u>154,248</u>	<u>208,440</u>

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27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Non-current		
Equity securities	-	585,075
Less: Allowance for ECLs	-	(235)
Total	<u>-</u>	<u>584,840</u>

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current		
Debt securities	1,701,987	3,244,388
Equity securities	5,079,123	5,731,797
Less: Allowance for ECLs	(1,471,426)	(1,275,218)
Total	<u>5,309,684</u>	<u>7,700,967</u>

(b) Analysed by market:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Non-current		
Stock exchanges	-	585,075
Less: Allowance for ECLs	-	(235)
Total	<u>-</u>	<u>584,840</u>

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current		
Stock exchanges	5,302,431	5,932,097
Interbank market	1,478,679	3,044,088
Less: Allowance for ECLs	(1,471,426)	(1,275,218)
Total	<u>5,309,684</u>	<u>7,700,967</u>

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	1,275,453	427,107
Charge for the period/year	195,973	935,612
Reversal for the period/year	-	(87,266)
At the end of the period/year	<u>1,471,426</u>	<u>1,275,453</u>

(d) Analyzed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>2,612</u>	<u>44</u>	<u>1,468,770</u>	<u>1,471,426</u>
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>5,653</u>	<u>7,542</u>	<u>1,262,258</u>	<u>1,275,453</u>

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28. REFUNDABLE DEPOSITS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Deposits with stock exchanges and clearing houses		
- China Securities Depository and Clearing Corporation Limited	605,894	170,643
- Hong Kong Securities Clearing Company Limited	21,309	461,234
- Shanghai Clearing House	45,434	45,019
- The Stock Exchange of Hong Kong Limited	16,200	17,202
Subtotal	<u>688,837</u>	<u>694,098</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	1,278,237	1,139,430
- Shanghai Futures Exchange	1,075,873	894,275
- Dalian Commodity Exchange	997,791	715,227
- Zhengzhou Commodity Exchange	791,085	606,373
- Shanghai International Energy Exchange	231,977	81,495
- Hong Kong Futures Exchange	8,221	8,062
- Shanghai Gold Exchange	2,820	2,920
Subtotal	<u>4,386,004</u>	<u>3,447,782</u>
Deposits with other institutions		
- CSFC	306,461	268,118
- Other institutions	3,699	5,530
Subtotal	<u>310,160</u>	<u>273,648</u>
Total	<u><u>5,385,001</u></u>	<u><u>4,415,528</u></u>

29. INCOME TAX

(a) Current taxation

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current tax liabilities	<u>542,441</u>	<u>653,972</u>
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	653,972	403,306
Provision for the period/year	677,591	945,205
Increase through the sale of equity instruments at fair value through other comprehensive income	134	5,340
Tax paid	<u>(789,256)</u>	<u>(699,879)</u>
At the end of the period/year	<u><u>542,441</u></u>	<u><u>653,972</u></u>

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29. 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	Intangible assets recognised in the acquisition	Others	Total
As at 1 January 2019 (Audited)	590,758	152,651	395,376	(42,388)	37,215	1,133,612
Recognised in profit or loss	938,995	(2,018)	(519,594)	21,662	(18,606)	420,439
Recognised in reserves	(30,919)	-	(38,777)	-	-	(69,696)
Transferred out	-	-	5,340	-	-	5,340
As at 31 December 2019 (Audited)	1,498,834	150,633	(157,655)	(20,726)	18,609	1,489,695
Recognised in profit or loss	45,110	22,417	(157,203)	11,119	(7,544)	(86,101)
Recognised in reserves	2,149	-	15,910	-	-	18,059
Transferred out	-	-	134	-	-	134
As at 30 June 2020 (Unaudited)	<u>1,546,093</u>	<u>173,050</u>	<u>(298,814)</u>	<u>(9,607)</u>	<u>11,065</u>	<u>1,421,787</u>

(c) Reconciliation to the statement of financial position

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	1,486,581	1,618,157
Net deferred tax liabilities recognised in the consolidated statement of financial position	(64,794)	(128,462)
Total	<u>1,421,787</u>	<u>1,489,695</u>

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29. INCOME TAX (continued)

(d) Recognised in other comprehensive income

	Six months ended 30 June 2020 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	64,956	(16,252)	48,704
- Provision for ECL allowance	(8,598)	2,149	(6,449)
- Reclassified to profit or loss	(65,649)	16,412	(49,237)
Equity instruments at fair value through other comprehensive income			
- Net changes in fair value	(62,999)	15,750	(47,249)
Share of other comprehensive income of associates	(369)	-	(369)
Exchange differences on translation of financial statements in foreign currencies	36,195	-	36,195
Total	(36,464)	18,059	(18,405)

	Six months ended 30 June 2019 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	(50,679)	12,740	(37,939)
- Provision for ECL allowance	56,072	(14,024)	42,048
- Reclassified to profit or loss	(21,593)	5,398	(16,195)
Equity instruments at fair value through other comprehensive income			
- Net changes in fair value	258,836	(64,709)	194,127
Share of other comprehensive income of associates	7,203	-	7,203
Exchange differences on translation of financial statements in foreign currencies	9,339	-	9,339
Total	259,178	(60,595)	198,583

(e) Deferred tax assets not recognised

As at 30 June 2020 and 31 December 2019, the Group has not recognised deferred tax assets in respect of cumulative tax losses, provision for contingent liabilities, allowance for ECLs, changes in fair value of financial instruments, employee benefits payable and impairment losses against goodwill with timing difference amounting to RMB2,327,899 thousand and RMB1,807,565 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 expiration period of tax losses shall be in accordance with the local current tax legislation.

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30. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Gross lease receivables	2,709,957	3,584,832
Less: Unrealized finance income	<u>(175,865)</u>	<u>(255,257)</u>
Balance of finance lease receivables	2,534,092	3,329,575
Less: Allowance for ECLs	<u>(76,721)</u>	<u>(86,601)</u>
Finance lease receivables, net	<u>2,457,371</u>	<u>3,242,974</u>
Analysis for presentation purposes:		
Current assets	1,463,272	1,644,785
Non-current assets	<u>994,099</u>	<u>1,598,189</u>
Total	<u>2,457,371</u>	<u>3,242,974</u>

Gross lease receivables and net lease receivables are as follows:

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Gross lease receivables	Net lease receivables	Gross lease receivables	Net lease receivables
Within 1 year	1,604,093	1,477,959	1,820,137	1,658,291
1 to 2 years	847,311	808,814	1,194,411	1,125,769
2 to 3 years	215,705	207,573	504,189	484,690
Over 3 years	42,848	39,746	66,095	60,825
Total	<u>2,709,957</u>	<u>2,534,092</u>	<u>3,584,832</u>	<u>3,329,575</u>
Unrealized finance income	<u>(175,865)</u>	-	<u>(255,257)</u>	-
Balance of finance lease receivables	2,534,092	2,534,092	3,329,575	3,329,575
Allowance for ECLs	<u>(76,721)</u>	<u>(76,721)</u>	<u>(86,601)</u>	<u>(86,601)</u>
Finance lease receivables, net	<u>2,457,371</u>	<u>2,457,371</u>	<u>3,242,974</u>	<u>3,242,974</u>

The Group sells finance lease receivables to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Details of which are included in note 54 to the financial statements

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30. FINANCE LEASE RECEIVABLES (continued)

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	86,601	96,775
Charge for the period/year	2,572	12,353
Reversal of impairment	(12,452)	(21,833)
Amounts written off	-	(694)
At the end of the period/year	<u>76,721</u>	<u>86,601</u>

(c) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>8,797</u>	<u>40,452</u>	<u>27,472</u>	<u>76,721</u>
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>9,968</u>	<u>47,743</u>	<u>28,890</u>	<u>86,601</u>

31. RECEIVABLE ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS

(a) Analysed by nature:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Gross receivable arising from sale-and-leaseback arrangements	933,524	503,439
Less: Unrealized finance income	<u>(69,844)</u>	<u>(42,788)</u>
Balance of receivable arising from sale-and-leaseback arrangements	863,680	460,651
Less: Allowance for ECLs	<u>(13,863)</u>	<u>(6,596)</u>
Receivable arising from sale-and- leaseback arrangements, net	<u>849,817</u>	<u>454,055</u>
Analysis for presentation purposes:		
Current assets	382,517	199,676
Non-current assets	<u>467,300</u>	<u>254,379</u>
Total	<u>849,817</u>	<u>454,055</u>

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31. RECEIVABLE ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS (continued)

(a) Analysed by nature: (continued)

Gross lease receivables to be received and net lease receivables are as follows:

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Gross lease receivables	Net lease receivables	Gross lease receivables	Net lease receivables
Within 1 year	429,498	387,371	225,030	199,676
1 to 2 years	313,118	292,511	177,526	164,887
2 to 3 years	177,519	170,877	77,402	73,765
Over 3 years	13,389	12,921	23,481	22,323
Total	933,524	863,680	503,439	460,651
Unrealized finance income	(69,844)	-	(42,788)	-
Balance of receivable arising from sale-and-leaseback arrangements	863,680	863,680	460,651	460,651
Allowance for ECLs	(13,863)	(13,863)	(6,596)	(6,596)
Receivable arising from sale-and-leaseback arrangements, net	<u>849,817</u>	<u>849,817</u>	<u>454,055</u>	<u>454,055</u>

The Group sells receivable arising from sale-and-leaseback arrangements to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Details of which are included in note 54 to the financial statements

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	6,596	-
Charge for the period/year	7,581	6,596
Reversal of impairment	(314)	-
At the end of the period/year	<u>13,863</u>	<u>6,596</u>

(c) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>8,995</u>	<u>-</u>	<u>4,868</u>	<u>13,863</u>
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>4,911</u>	<u>-</u>	<u>1,685</u>	<u>6,596</u>

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32. OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Long-term deferred expenses ⁽¹⁾	81,826	100,418
Other receivables	71,684	68,437
Less: Allowance for ECLs	-	-
Total	<u>153,510</u>	<u>168,855</u>

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	-	80,390
Others	-	<u>(80,390)</u>
At the end of the period/year	<u>-</u>	<u>-</u>

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Balance at the beginning of the period/year	100,418	92,109
Additions	5,719	29,600
Transfer from property and equipment	323	28,032
Amortization	<u>(24,634)</u>	<u>(49,323)</u>
Balance at the end of the period/year	<u>81,826</u>	<u>100,418</u>

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33. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Accounts receivable of		
- Brokers and dealers	1,887,953	1,719,397
- Settlement	1,030,962	1,088,472
- Fee and commission	331,744	307,651
- Investees	21,735	21,735
- Others	6,727	13,213
Less: Allowance for ECLs	<u>(72,690)</u>	<u>(72,596)</u>
Total	<u>3,206,431</u>	<u>3,077,872</u>

(b) Analysed by aging:

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

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Within 1 year	2,790,298	2,637,817
1 to 2 years	411,562	439,073
2 to 3 years	4,324	901
Over 3 years	<u>247</u>	<u>81</u>
Total	<u>3,206,431</u>	<u>3,077,872</u>

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

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
At the beginning of the period/year	72,596	49,055
Charge for the period/year	-	26,873
Reversal of impairment	(2)	(3,027)
Others	<u>96</u>	<u>(305)</u>
At the end of the period/year	<u>72,690</u>	<u>72,596</u>

(d) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
As at 30 June 2020	<u>5,372</u>	<u>-</u>	<u>-</u>	<u>67,318</u>	<u>72,690</u>
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
As at 31 December 2019	<u>5,360</u>	<u>-</u>	<u>-</u>	<u>67,236</u>	<u>72,596</u>

(e) Accounts receivable that are not impaired

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

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34. OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Other receivables ⁽¹⁾	1,527,691	1,539,549
Dividend receivables	290,843	229,514
Interest receivable	68,580	42,853
Factoring receivables	55,055	63,098
Others	98,121	87,116
Less: Allowance for ECLs	<u>(154,294)</u>	<u>(152,413)</u>
Total	<u>1,885,996</u>	<u>1,809,717</u>

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

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	152,413	28,126
Charge for the period/year	-	45,178
Reversal of impairment	(359)	(1,369)
Others	<u>2,240</u>	<u>80,478</u>
At the end of the period/year	<u>154,294</u>	<u>152,413</u>

(c) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>2,643</u>	<u>1,277</u>	<u>150,374</u>	<u>154,294</u>
	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>419</u>	<u>1,277</u>	<u>150,717</u>	<u>152,413</u>

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35. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Individuals	31,602,883	28,107,629
Institutions	5,723,959	6,259,742
Less: Allowance for ECLs	<u>(247,397)</u>	<u>(248,712)</u>
Total	<u>37,079,445</u>	<u>34,118,659</u>

The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Details of which are included in note 54 to the financial statements

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
At the beginning of the period/year	248,712	258,859
Charge for the period/year	4,980	45,974
Reversal of impairment	(8,757)	(53,587)
Others	<u>2,462</u>	<u>(2,534)</u>
At the end of the period/year	<u>247,397</u>	<u>248,712</u>

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Fair value of collateral:		
- Equity securities	106,189,496	98,314,942
- Cash	4,652,309	3,890,060
- Funds	1,707,697	1,825,203
- Debt securities	3,123,317	3,501,979
- Others	<u>678,518</u>	<u>554,308</u>
Total	<u>116,351,337</u>	<u>108,086,492</u>

(d) Analysed by stage of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2020	<u>31,264</u>	<u>6,652</u>	<u>209,481</u>	<u>247,397</u>

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35. MARGIN ACCOUNTS RECEIVABLE (continued)

(d) Analysed by stage of ECLs (continued):

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	<u>31,968</u>	<u>654</u>	<u>216,090</u>	<u>248,712</u>

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Non-current		
Equity securities	<u>308,250</u>	<u>-</u>
Total	<u>308,250</u>	<u>-</u>
Analysed as:		
Listed outside Hong Kong	<u>308,250</u>	<u>-</u>
Total	<u>308,250</u>	<u>-</u>
Current		
Debt securities	24,416,024	24,834,024
Equity securities	5,320,513	2,907,597
Funds	14,290,875	13,896,575
Wealth management products	18,717,112	21,367,948
Others	<u>2,262,333</u>	<u>2,397,450</u>
Total	<u>65,006,857</u>	<u>65,403,594</u>
Analysed as:		
Listed in Hong Kong	85,954	158,903
Listed outside Hong Kong	12,877,797	10,982,417
Unlisted	<u>52,043,106</u>	<u>54,262,274</u>
Total	<u>65,006,857</u>	<u>65,403,594</u>

As at 30 June 2020 and 31 December 2019, 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 RMB106,641 thousand and RMB51,729 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 35(c) together with the fair value of collateral of the margin financing business.

As at 30 June 2020 and 31 December 2019, financial assets at fair value through profit or loss of the Group included RMB12,150,893 thousand and RMB16,809,428 thousand, respectively, which is pledged, restricted or frozen, of which the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group amounted to RMB312,340 thousand and nil, respectively.

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37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	14,270,000	56	(5,093)
Equity derivatives			
- Stock index futures	186,070	-	(7,938)
- Stock options	253,254	58	(4,067)
- OTC stock index options	1,859,646	21,537	(170,634)
- Structured notes	118,000	-	(252)
Others			
- Commodity futures	150,810	736	(1,824)
- Commodity option	358,614	8,305	(4,028)
- Gold options	7,760	130	-
Total	17,204,154	30,822	(193,836)
Less: Cash (received)/paid as settlement		(736)	14,855
Net position		30,086	(178,981)
	As at 31 December 2019 (Audited)		
	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)

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

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38. CLEARING SETTLEMENT FUNDS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Deposits with		
- China Securities Depository and Clearing Corporation Limited	229,820	163,332
- Others	537,971	1,559,686
Total	<u>767,791</u>	<u>1,723,018</u>

39. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of the brokerage business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current asset 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 Mainland China, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

40. CASH AND BANK BALANCES

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Cash on hand	141	140
Bank balances	8,060,672	11,039,732
Total	<u>8,060,813</u>	<u>11,039,872</u>

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates. As at 30 June 2020 and 31 December 2019, the Group's bank balances of RMB96,129 thousand and RMB702,492 thousand, respectively, were restricted.

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41. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Cash on hand	141	140
Bank balances	8,060,672	11,039,732
Clearing settlement funds	767,791	1,723,018
Less: Restricted bank deposits	(2,796,129)	(4,472,205)
- Time deposit of more than three months	(2,700,000)	(3,769,713)
- Others	(96,129)	(702,492)
Less: Interest receivable	(53,532)	(49,057)
Total	5,978,943	8,241,628

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, risk reserve deposits, trading deposits and bank balances frozen by the judicial department.

42. LOANS AND BORROWINGS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Loans and borrowings due within one year	9,470,888	7,868,827
Loans and borrowings due after one year	469,661	3,811,364
Total	9,940,549	11,680,191

As at 30 June 2020
(Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.64% - Hibor+3.87% Hibor+1.54%	2020-2021	7,597,829
Secured bank loans	HKD	- Hibor+2.43%	2020	584,602
Secured bank loans	RMB	3.85%-6.70%	2020-2023	1,758,118
Total				9,940,549

As at 31 December 2019
(Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.10% - Hibor+2.10%	2020-2021	9,493,512
Secured bank loans	RMB	4.28%-6.70%	2020-2023	1,928,532
Secured bank loans	USD	4.50%	2020	258,147
Total				11,680,191

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43. SHORT-TERM DEBT INSTRUMENTS

(Unaudited)	Nominal interest rate	Book value as at 1 January 2020	Increase	Decrease	Book value as at 30 June 2020
Structured notes and short-term bonds	1.36%-6.20%	4,489,383	25,126,020	(17,726,668)	11,888,735

(Audited)	Nominal interest rate	Book value as at 1 January 2019	Increase	Decrease	Book value as at 31 December 2019
Structured notes and short-term bonds	0.00%-8.00%	14,109,673	27,845,502	(37,465,792)	4,489,383

During the six months ended 30 June 2020, the Group has issued 85 tranches of structured notes, and repaid 76 tranches of structured notes.

In 2019, the Group issued 241 tranches of structured notes, and repaid 304 tranches of structured notes during the year.

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Placements from CSFC ⁽¹⁾	1,000,139	1,000,451
Interbank lending ⁽²⁾	6,482,917	5,063,254
Total	7,483,056	6,063,705

(1) As at 30 June 2020 and 31 December 2019, placements from CSFC were repayable within one year, and bears interest was 3.25% per annum (31 December 2019: 3.25%).

(2) As at 30 June 2020, the interbank lending was unsecured and bears interest at a rate ranging from 0.50% to 3.10% per annum, with maturity ranging from 1 day to 323 days. As at 31 December 2019, the interbank lending was unsecured and bears interest at a rate ranging from 1.90% to 3.00% per annum, with maturity ranging from 1 day to 216 days.

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Structured entities	561,256	893,218
Total	561,256	893,218

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

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46. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Clients' deposits for margin financing and securities lending	7,528,180	6,379,657
Clients' deposits for other brokerage business	45,764,078	39,331,334
Total	53,292,258	45,710,991

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

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

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

47. EMPLOYEE BENEFITS PAYABLE

	Salaries, bonuses and allowance	Contributions to pension schemes	Other social welfare	Total
Current				
As at 1 January 2019 (Audited)	1,444,479	4,934	46,830	1,496,243
Accrued for the year	2,721,132	242,555	323,052	3,286,739
Payments made	(2,656,459)	(242,653)	(326,596)	(3,225,708)
As at 31 December 2019 (Audited)	1,509,152	4,836	43,286	1,557,274
Accrued for the period	1,770,052	71,014	166,591	2,007,657
Payments made	(1,226,626)	(71,149)	(139,265)	(1,437,040)
As at 30 June 2020 (Unaudited)	2,052,578	4,701	70,612	2,127,891
Non-current				
As at 1 January 2019 (Audited)	998	-	-	998
As at 31 December 2019 (Audited)	998	-	-	998
Accrued for the period	1,666	-	-	1,666
Payments made	(748)	-	-	(748)
As at 30 June 2020 (Unaudited)	1,916	-	-	1,916

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48. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Put right liabilities arising from business combination ⁽¹⁾	2,145,671	2,114,937
Payables to interest holders of consolidated structured entities	1,065,903	1,334,927
Settlement payables	747,397	818,507
Distribution expenses payable	184,285	200,754
Dividends payable	170,599	34,835
Risk reserve	156,113	144,191
Other tax payable	146,941	194,043
Payables to interest holders of ABS	145,659	2,120,765
Accrued expenses	102,261	53,431
Deposits	158,087	175,819
Commission payables	58,208	58,831
Temporary receipts	36,674	24,971
Payable to the securities and futures investor protection fund	32,384	22,919
Interest payable	26,405	16,768
Payable to custodians	24,299	25,338
Payable on behalf of staff	19,774	20,035
Option prepayment	17,183	16,851
Others ⁽²⁾	291,832	256,060
Total	5,529,675	7,633,982

(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.

49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current		
Debt securities	18,532,908	22,695,471
Others	708,883	1,940,639
Total	19,241,791	24,636,110

(b) Analysed by market:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current		
Interbank market	17,285,944	21,687,630
Stock exchanges	1,246,964	1,007,841
OTC market	708,883	1,940,639
Total	19,241,791	24,636,110

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50. LONG-TERM BONDS

As at 30 June 2020 (Unaudited)

Name	Par value in original currency	Issue date	Maturity date	Issue in original currency	Coupon rate	Book value as at 31 December 2019 (Audited)	Increase	Decrease	Book value as at 30 June 2020 (Unaudited)
EBSHKBVI(Corp) ⁽¹⁾	USD200,000	21/11/2018	21/11/2021	USD200,000	3.20%	1,397,588	59,720	(37,167)	1,420,141
17 EVERBRIGHTG1 ⁽²⁾	3,000,000	04/07/2017	04/07/2020	2,985,942	4.58%	3,063,942	71,631	-	3,135,573
17 EVERBRIGHTG2 ⁽³⁾	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%	1,530,416	36,221	-	1,566,637
17 EVERBRIGHTG3 ⁽⁴⁾	4,100,000	16/10/2017	16/10/2020	4,087,700	4.80%	4,137,749	100,185	-	4,237,934
17 EVERBRIGHTG4 ⁽⁵⁾	1,600,000	16/10/2017	16/10/2022	1,595,200	4.90%	1,613,652	39,575	-	1,653,227
18 EVERBRIGHTC1 ⁽⁶⁾	3,000,000	13/12/2018	13/12/2021	3,000,000	4.30%	2,998,722	66,500	-	3,065,222
18 EVERBRIGHTG2 ⁽⁷⁾	3,300,000	18/04/2018	18/04/2021	3,283,500	4.78%	3,403,268	81,620	(157,740)	3,327,148
18 EVERBRIGHTG3 ⁽⁸⁾	2,800,000	26/09/2018	26/09/2021	2,794,960	4.30%	2,828,856	60,986	-	2,889,842
18 EVERBRIGHTG5 ⁽⁹⁾	1,000,000	30/07/2018	30/07/2020	990,000	4.55%	1,016,335	25,368	-	1,041,703
18 EVERBRIGHTG6 ⁽¹⁰⁾	4,000,000	30/07/2018	30/07/2021	4,000,000	4.67%	4,078,899	93,339	-	4,172,238
18 EVERBRIGHT Xingfu PPN001 ⁽¹¹⁾	200,000	07/02/2018	07/02/2021	200,000	6.80%	190,601	7,655	(13,600)	184,656
19 EVERBRIGHT01 ⁽¹²⁾	3,000,000	22/01/2019	22/01/2022	3,000,000	3.88%	3,103,676	59,700	(116,400)	3,046,976
20 EVERBRIGHT02 ⁽¹³⁾	3,000,000	22/08/2019	22/08/2022	3,000,000	3.75%	3,040,524	56,250	-	3,096,774
20 EVERBRIGHTF1 ⁽¹⁴⁾	3,000,000	09/03/2020	09/03/2023	3,000,000	3.19%	-	3,029,842	-	3,029,842
20 EVERBRIGHTG1 ⁽¹⁵⁾	1,500,000	22/06/2020	22/06/2023	1,500,000	3.10%	-	1,501,196	-	1,501,196
17 EVERBRIGHT04 ⁽¹⁶⁾	2,000,000	14/02/2017	14/02/2020	1,994,300	5.50%	2,077,885	11,115	(2,089,000)	-
17 EVERBRIGHT06 ⁽¹⁷⁾	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%	4,135,315	64,685	(4,200,000)	-
18 EVERBRIGHTG1 ⁽¹⁸⁾	2,700,000	18/04/2018	18/04/2020	2,686,500	4.68%	2,786,427	39,933	(2,826,360)	-
18 EVERBRIGHT02 ⁽¹⁹⁾	2,000,000	18/01/2018	18/01/2020	1,990,000	5.55%	2,105,208	5,792	(2,111,000)	-
17 EVERBRIGHT Xingfu PPN001 ⁽²⁰⁾	600,000	30/03/2017	30/03/2020	600,000	5.00%	621,514	8,486	(630,000)	-
17 EVERBRIGHT Xingfu PPN002 ⁽²¹⁾	200,000	27/04/2017	27/04/2020	200,000	5.50%	207,272	3,728	(211,000)	-
Dingfu No.204 Structured Notes ⁽²²⁾	200,000	25/12/2018	29/06/2020	200,000	4.00%	208,153	3,332	(211,485)	-
Jinzhishu No.1062 Structured Notes ⁽²³⁾	2,000,000	21/12/2018	19/06/2020	2,000,000	4.00%	2,082,411	33,315	(2,115,726)	-
Jinzhishu No.1057 Structured Notes ⁽²⁴⁾	500,000	25/12/2018	26/03/2020	500,000	4.10%	520,892	3,370	(524,262)	-
Dingfu No.205 Structured Notes ⁽²⁵⁾	200,000	31/01/2019	21/04/2020	200,000	3.90%	207,159	1,945	(209,104)	-
Jinzhishu No.1088 Structured Notes ⁽²⁶⁾	500,000	27/02/2020	25/08/2021	500,000	3.50%	-	504,555	(504,555)	-
Total						47,356,464	5,970,044	(15,957,399)	37,369,109

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50. LONG-TERM BONDS (continued)

As at 31 December 2019 (Audited)

Name	Par value in original currency	Issue date	Maturity date	Issue in original currency	Coupon rate	Book value as at 31 December 2018 (Audited)	Increase	Decrease	Book value as at 31 December 2019 (Audited)
EBSHKBVI Corp ⁽¹⁾	USD200,000	21/11/2018	21/11/2021	USD200,000	3.20%	1,373,112	98,204	(73,728)	1,397,588
16 EVERBRIGHT06 ⁽²⁷⁾	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%	3,017,095	78,905	(3,096,000)	-
17 EVERBRIGHT03 ⁽²⁸⁾	2,000,000	14/02/2017	14/02/2019	1,996,200	4.30%	2,075,251	10,749	(2,086,000)	-
17 EVERBRIGHT04 ⁽¹⁶⁾	2,000,000	14/02/2017	14/02/2020	1,994,300	5.50%	2,075,985	90,900	(89,000)	2,077,885
17 EVERBRIGHT05 ⁽²⁹⁾	3,000,000	26/04/2017	26/04/2019	2,991,000	4.95%	3,099,625	48,875	(3,148,500)	-
17 EVERBRIGHT06 ⁽¹⁷⁾	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%	4,131,315	204,000	(200,000)	4,135,315
17 EVERBRIGHTG1 ⁽²⁾	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%	3,058,942	142,400	(137,400)	3,063,942
17 EVERBRIGHTG2 ⁽³⁾	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%	1,528,916	72,000	(70,500)	1,530,416
17 EVERBRIGHTG3 ⁽⁴⁾	4,100,000	16/10/2017	16/10/2020	4,087,700	4.80%	4,133,649	200,900	(196,800)	4,137,749
17 EVERBRIGHTG4 ⁽⁵⁾	1,600,000	16/10/2017	16/10/2022	1,595,200	4.90%	1,612,692	79,360	(78,400)	1,613,652
18 EVERBRIGHTC1 ⁽⁶⁾	3,000,000	13/12/2018	13/12/2021	3,000,000	4.30%	3,006,589	121,133	(129,000)	2,998,722
18 EVERBRIGHTG1 ⁽¹⁸⁾	2,700,000	18/04/2018	18/04/2020	2,686,500	4.68%	2,779,677	133,110	(126,360)	2,786,427
18 EVERBRIGHTG2 ⁽⁷⁾	3,300,000	18/04/2018	18/04/2021	3,283,500	4.78%	3,397,768	163,240	(157,740)	3,403,268
18 EVERBRIGHTG3 ⁽⁸⁾	2,800,000	26/09/2018	26/09/2021	2,794,960	4.30%	2,827,176	122,080	(120,400)	2,828,856
18 EVERBRIGHT02 ⁽¹⁹⁾	2,000,000	18/01/2018	18/01/2020	1,990,000	5.55%	2,100,208	116,000	(111,000)	2,105,208
18 EVERBRIGHT05 ⁽⁹⁾	1,000,000	30/07/2018	30/07/2020	990,000	4.55%	1,011,335	50,500	(45,500)	1,016,335
18 EVERBRIGHT06 ⁽¹⁰⁾	4,000,000	30/07/2018	30/07/2021	4,000,000	4.67%	4,078,871	186,828	(186,800)	4,078,899
17 EVERBRIGHT Xingfu PPN001 ⁽²⁰⁾	600,000	30/03/2017	30/03/2020	600,000	5.00%	620,754	30,760	(30,000)	621,514
17 EVERBRIGHT Xingfu PPN002 ⁽²¹⁾	200,000	27/04/2017	27/04/2020	200,000	5.50%	207,255	11,017	(11,000)	207,272
18 EVERBRIGHT Xingfu PPN001 ⁽¹¹⁾	200,000	07/02/2018	07/02/2021	200,000	6.80%	190,254	13,947	(13,600)	190,601
18 EVERBRIGHT Xingfu SCP001 ⁽³⁰⁾	500,000	20/09/2018	17/06/2019	500,000	7.00%	457,535	17,368	(474,903)	-
Dingfu No.204 Structured Notes ⁽²²⁾	200,000	25/12/2018	28/06/2020	200,000	4.00%	200,132	8,021	-	208,153
Dingfu No.588 Structured Notes ⁽³¹⁾	80	27/04/2018	10/05/2019	80	4.50%	82	2	(84)	-
Guangxin No.514 Structured Notes ⁽³²⁾	30,000	13/04/2018	16/04/2019	30,000	5.10%	31,098	382	(31,480)	-
Jinzhishu No.1062 Structured Notes ⁽²³⁾	2,000,000	21/12/2018	18/06/2020	2,000,000	4.00%	2,002,192	80,219	-	2,082,411
Jinzhishu No.1057 Structured Notes ⁽²⁴⁾	500,000	25/12/2018	25/03/2020	500,000	4.10%	500,337	20,555	-	520,892
19 EVERBRIGHT01 ⁽¹²⁾	3,000,000	22/01/2019	22/01/2022	3,000,000	3.88%	-	3,103,676	-	3,103,676
19 EVERBRIGHT02 ⁽¹³⁾	3,000,000	22/08/2019	22/08/2022	3,000,000	3.75%	-	3,040,524	-	3,040,524
Dingfu No.205 Structured Notes ⁽²⁵⁾	200,000	31/01/2019	21/04/2020	200,000	3.90%	-	207,159	-	207,159
Total						49,517,845	8,452,814	(10,614,195)	47,356,464

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50. LONG-TERM BONDS (continued)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Long-term bonds due within one year	11,932,385	23,175,697
Long-term bonds due after one year	<u>25,436,724</u>	<u>24,180,767</u>
Total	<u>37,369,109</u>	<u>47,356,464</u>

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

- (1) 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 4 July 2017, which was redeemed on 4 July 2020.
- (3) 5-year corporate bond amounting to RMB1.5 billion on 4 July 2017.
- (4) 3-year corporate bond amounting to RMB4.1 billion on 16 October 2017.
- (5) 5-year corporate bond amounting to RMB1.6 billion on 16 October 2017.
- (6) 3-year subordinated bond amounting to RMB3 billion on 13 December 2018.
- (7) 3-year corporate bond amounting to RMB3.3 billion on 18 April 2018.
- (8) 3-year corporate bond amounting to RMB2.8 billion on 26 September 2018.
- (9) 2-year corporate bond amounting to RMB1 billion on 30 July 2018, which was redeemed on 30 July 2020.
- (10) 3-year corporate bond amounting to RMB4 billion on 30 July 2018.
- (11) 3-year PPN amounting to RMB200 million on 7 February 2018.
- (12) 3-year corporate bond amounting to RMB3 billion on 22 January 2019.
- (13) 3-year corporate bond amounting to RMB3 billion on 22 August 2019.
- (14) 3-year corporate bond amounting to RMB3 billion on 9 March 2020.
- (15) 3-year corporate bond amounting to RMB1.5 billion on 22 June 2020.
- (16) 3-year corporate bond amounting to RMB2 billion on 14 February 2017, which was redeemed on 14 February 2020.
- (17) 3-year corporate bond amounting to RMB4 billion on 26 April 2017, which was redeemed on 27 April 2020.
- (18) 2-year corporate bond amounting to RMB2.7 billion on 18 April 2018, which was redeemed on 20 April 2020.
- (19) 2-year corporate bond amounting to RMB2 billion on 18 January 2018, which was redeemed on 20 January 2020.

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50. LONG-TERM BONDS (continued)

- (20) 3-year PPN amounting to RMB600 million on 30 March 2017, which was redeemed on 30 March 2020.
- (21) 3-year PPN amounting to RMB200 million on 27 April 2017, which was redeemed on 27 April 2020.
- (22) 18-month structured notes amounting to RMB200 million on 25 December 2018, which was redeemed on 29 June 2020.
- (23) 18-month structured notes amounting to RMB2 billion on 21 December 2018, which was redeemed on 19 June 2020.
- (24) 15-month structured notes amounting to RMB500 million on 25 December 2018, which was redeemed on 26 March 2020.
- (25) 15-month structured notes amounting to RMB200 million on 31 January 2019, which was redeemed on 21 April 2020.
- (26) 18-month structured notes amounting to RMB500 million on 27 February 2020, which was redeemed on 9 June 2020.
- (27) 3-year corporate bond amounting to RMB3 billion on 24 October 2016, which was redeemed on 24 October 2019.
- (28) 2-year corporate bond amounting to RMB2 billion on 14 February 2017, which was redeemed on 14 February 2019.
- (29) 2-year corporate bond amounting to RMB3 billion on 26 April 2017, which was redeemed on 26 April 2019.
- (30) 1-year SCP amounting to RMB500 million on 20 September 2018, which was redeemed on 17 June 2019.
- (31) 1-year structured notes amounting to RMB80 thousand on 27 April 2018, which was redeemed on 10 May 2019.
- (32) 1-year structured notes amounting to RMB30 million on 13 April 2018, which was redeemed on 16 April 2019.

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(All amounts expressed in RMB thousands unless otherwise specified)

51. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2020	As at 31 December 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
Payables to interest holders of ABS	1,967,692	136,818
Deposits	214,535	233,427
Others	<u>15,055</u>	<u>37,097</u>
Total	<u><u>2,197,282</u></u>	<u><u>407,342</u></u>

52. SHARE CAPITAL

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

	As at 30 June 2020	As at 31 December 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
Registered, issued and fully paid (at RMB1 per share)	<u>4,610,788</u>	<u>4,610,788</u>

(All amounts expressed in RMB thousands unless otherwise specified)

53. RESERVES AND RETAINED PROFITS

(a) Capital reserve

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

(b) Surplus reserve

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

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

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

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

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

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

(d) Fair value reserve of financial assets at fair value through other comprehensive income

Fair value reserve of financial assets at fair value through other comprehensive income mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(e) Translation reserve

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

(f) Retained profits

Pursuant to the resolution of the meeting of shareholders held on 2 June 2020, the Company distributed cash dividends of RMB0.37 yuan for every 10 shares (tax included) amounting to RMB170,599 thousand in total for the year ended 31 December 2019.

(All amounts expressed in RMB thousands unless otherwise specified)

54. 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, finance lease receivables and receivable arising from sale-and-leaseback arrangements 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, finance lease receivables and receivable arising from sale-and-leaseback arrangements on specified future dates and at agreed-upon prices. Thus, the Group has not derecognized these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognized as a financial liability.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	Repurchase agreements	Securities lending	Asset-backed securities management schemes
30 June 2020			
Carrying amount of transferred assets	<u>198,816</u>	<u>106,641</u>	<u>2,245,615</u>
Carrying amount of related liabilities	<u>184,183</u>	<u>N/A</u>	<u>2,113,351</u>
31 December 2019			
Carrying amount of transferred assets	<u>624,491</u>	<u>51,729</u>	<u>2,427,146</u>
Carrying amount of related liabilities	<u>603,108</u>	<u>N/A</u>	<u>2,212,562</u>

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55. COMMITMENTS

Capital commitments

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Contracted but not provided for	<u>138,866</u>	<u>197,731</u>

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

56. CONTINGENCIES

As at 30 June 2020, the Group's pending litigations for MPS refer to note 13(b) for details.

On 7 May 2020, surnamed Zheng filed a lawsuit to the High Court of Hong Kong against surnamed Situ and Sun Hung Kai Investment Services Limited, a subsidiary of the Company, over the misrepresentation in sales of bonds with an amount involved of approximately HKD13.70 million. As of the date of approval of the financial statements, the case has been accepted by the High Court of Hong Kong.

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership. The share percentages in the Company are as follows:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
China Everbright Group Ltd.	25.15%	25.15%
China Everbright Limited	21.30%	21.30%

(ii) Associates and joint ventures of the Company

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

(iii) Other related parties

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

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57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Balances at the end of the period/year:		
Accounts receivable	457	500
Other payables and accruals	275	301
	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Transactions during the period:		
Fee and commission income	14,623	-

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Balances at the end of the period/year:		
Right-of-use assets	16,471	20,723
Accounts receivable	3,009	3,260
Other receivables and prepayments	230,236	210,869
Financial assets at fair value through profit or loss	2,946,128	1,885,475
Cash and bank balances	9,292,206	10,188,352
Loans and borrowings	1,483,872	1,970,793
Other payables and accruals	2,382,975	2,392,258
Financial assets sold under repurchase agreements	369,020	-
Lease liabilities	15,420	19,409
	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Transactions during the period:		
Fee and commission income	33,368	51,281
Interest income	108,978	78,660
Net realized gains	14,797	26,694
Other income and gains	7,095	11,097
Fee and commission expenses	6,892	5,174
Interest expenses	42,001	49,096
Other operating expenses	52,262	39,297
Transaction amount for placements from other financial institutions borrowed	22,014,231	1,834,607
Transaction amount for financial assets sold under repurchase agreements	39,403,963	34,967,140

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57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel's remuneration

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

	Six months ended 30 June 2020 <u>(Unaudited)</u>	Six months ended 30 June 2019 <u>(Unaudited)</u>
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	15,047	13,043
Post-employment benefits		
- Contributions to pension schemes	<u>300</u>	<u>321</u>
Total	<u><u>15,347</u></u>	<u><u>13,364</u></u>

(All amounts expressed in RMB thousands unless otherwise specified)

58. SEGMENT REPORTING

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

- The wealth management business segment mainly includes the provision of securities brokerage, futures brokerage, bulk commodity warehouse receipts services and investment advisory services to retail clients, distribution of financial products developed by the Company and other financial institutions, financing for exercising incentive stock options, credit business, and offshore brokerage and wealth management business, etc., for listed companies;
- The corporate finance business segment mainly includes financing services such as equity financing, bond financing, M&A financing, NEEQ and structural financing, asset securitization, financial advisory and other financing services and financial leasing business for corporate and government clients;
- The institutional customers business segment mainly includes integrated services such as securities trading and investment, investment research and prime brokerage for various institutional clients;
- The investment trading business segment mainly includes stocks, bonds, derivatives, foreign exchange, commodities and other multi-species investment transactions and investment consulting services;
- The asset management business segment mainly includes the provision of various types of brokerage asset management services and fund asset management services for institutional and individual clients;
- The equity investment business segment mainly includes private security investment, private equity investment, alternative investment and PPP business;
- Others mainly includes other businesses in addition to the above, including the operation of headquarters and investment holding platforms, and the management of general working capital.

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 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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58. SEGMENT REPORTING (continued)

(a) Business segments

For the six months ended 30 June 2020 (Unaudited)

	Wealth management	Corporate finance	Institutional customers	Investment trading	Asset management	Equity investment	Others	Segment total
Fee and commission income								
- External	1,854,038	1,271,602	338,727	2,680	857,370	5,011	3,793	4,333,221
- Inter-segment	11,565	-	-	51	236	-	-	11,852
Interest income								
- External	1,703,358	89,231	117,087	327,057	22,708	346,156	206,471	2,812,068
- Inter-segment	-	-	-	638	5	9,937	319,216	329,796
Net investment gains								
- External	31,655	33,402	106,128	843,712	159,798	(308,013)	543,835	1,410,517
- Inter-segment	-	-	-	-	-	-	61,985	61,985
Total revenue								
- External	3,589,051	1,394,235	561,942	1,173,449	1,039,876	43,154	754,099	8,555,806
- Inter-segment	11,565	-	-	689	241	9,937	381,201	403,633
Other income and gains								
- External	162,225	5,710	5,550	-	22,861	(4,792)	202,924	394,478
- Inter-segment	-	-	-	-	-	-	-	-
Segment revenue and other income								
- External	3,751,276	1,399,945	567,492	1,173,449	1,062,737	38,362	957,023	8,950,284
- Inter-segment	11,565	-	-	689	241	9,937	381,201	403,633
Segment expenses								
- External	(2,698,799)	(755,216)	(217,973)	(272,799)	(562,617)	(53,890)	(1,447,225)	(6,008,519)
- Inter-segment	(5,855)	(1,696)	-	3	(5,724)	(317,793)	(10,532)	(341,597)
Segment operating profit/(loss)								
- External	1,052,477	644,729	349,519	900,650	500,120	(15,528)	(490,202)	2,941,765
- Inter-segment	5,710	(1,696)	-	692	(5,483)	(307,856)	370,669	62,036
Share of profits of associates and joint ventures								
- External	2,542	(5,130)	-	-	37,701	2,701	6,527	44,341
- Inter-segment	-	6,527	-	-	-	5,055	-	11,582
Profit/(loss) before income tax								
- External	1,055,019	639,599	349,519	900,650	537,821	(12,827)	(483,675)	2,986,106
- Inter-segment	5,710	4,831	-	692	(5,483)	(302,801)	370,669	73,618
Interest expenses								
Reversal of/(provision for) credit loss expense								
Depreciation and amortization expenses								
- External	(794,039)	(79,619)	(9,681)	(259,478)	(88,079)	(23,044)	(753,812)	(2,007,752)
- Inter-segment	(187,194)	2,630	-	3,364	-	103	(1,943)	(183,040)
	(125,865)	(20,122)	(9,789)	(438)	(22,072)	(3,687)	(169,846)	(351,819)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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58. SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the six months ended 30 June 2019 (Unaudited) (Reclassified)

	Wealth management	Corporate finance	Institutional customers	Investment trading	Asset management	Equity investment	Others	Segment total
Fee and commission income								
- External	1,637,960	834,195	254,525	3,500	621,320	7,180	33,061	3,391,741
- Inter-segment	9,033	-	-	-	-	-	-	9,033
Interest income								
- External	1,930,964	156,767	161,524	412,703	34,102	208,807	134,989	3,039,856
- Inter-segment	-	-	-	2,129	5	10,788	207,082	220,004
Net investment gains								
- External	161,123	(7,927)	57,957	886,536	201,746	175,497	515,735	1,990,667
- Inter-segment	-	-	-	-	-	-	199,845	199,845
Total revenue								
- External	3,730,047	983,035	474,006	1,302,739	857,168	391,484	683,785	8,422,264
- Inter-segment	9,033	-	-	2,129	5	10,788	406,927	428,882
Other income and gains								
- External	43,910	3,497	4,032	187	25,443	1,974	121,407	200,450
- Inter-segment	-	-	-	-	-	-	-	-
Segment revenue and other income								
- External	3,773,957	986,532	478,038	1,302,926	882,611	393,458	805,192	8,622,714
- Inter-segment	9,033	-	-	2,129	5	10,788	406,927	428,882
Segment expenses								
- External	(2,600,380)	(651,299)	(225,777)	(444,672)	(514,279)	(542,074)	(1,431,684)	(6,410,165)
- Inter-segment	(4,742)	(2,129)	-	(24)	(5,095)	(207,082)	(270,716)	(489,788)
Segment operating profit/(loss)								
- External	1,173,577	335,233	252,261	858,254	368,332	(148,616)	(626,492)	2,212,549
- Inter-segment	4,291	(2,129)	-	2,105	(5,090)	(196,294)	136,211	(60,906)
Share of profits of associates and joint ventures								
- External	1,824	-	-	-	37,105	(17,195)	-	21,734
- Inter-segment	-	-	-	-	-	7,270	11,816	19,086
Profit/(loss) before income tax								
- External	1,175,401	335,233	252,261	858,254	405,437	(165,811)	(626,492)	2,234,283
- Inter-segment	4,291	(2,129)	-	2,105	(5,090)	(189,024)	148,027	(41,820)
Interest expenses	(967,624)	(137,401)	(3,811)	(277,481)	(114,616)	(9,241)	(752,574)	(2,262,748)
Reversal of/(provision for) credit loss expense	(79,463)	(4,266)	-	(144,394)	191	(126,610)	921	(353,621)
Depreciation and amortization expenses	(116,393)	(18,351)	(7,853)	(706)	(18,017)	(3,183)	(155,252)	(319,755)

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58. SEGMENT REPORTING (continued)

(b) Geographical segments

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

Segment revenue:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Outside		Total	Outside		Total
	Mainland China	Mainland China		Mainland China	Mainland China	
Revenue from external customers	7,839,871	715,935	8,555,806	7,555,512	866,752	8,422,264
Other income and gains	373,053	21,425	394,478	162,617	37,833	200,450
Total	8,212,924	737,360	8,950,284	7,718,129	904,585	8,622,714

Specified non-current assets:

	As at 30 June 2020			As at 31 December 2019		
	Outside		Total	Outside		Total
	Mainland China	Mainland China		Mainland China	Mainland China	
Property and equipment	823,444	31,532	854,976	792,816	35,995	828,811
Goodwill	9,380	1,026,662	1,036,042	9,380	1,006,813	1,016,193
Other intangible assets	105,651	134,897	240,548	105,688	208,370	314,058
Interests in associates and joint ventures	1,000,973	39,252	1,040,225	995,682	43,734	1,039,416
Refundable deposits	5,334,156	50,845	5,385,001	4,371,479	44,049	4,415,528

(All amounts expressed in RMB thousands unless otherwise specified)

59. FAIR VALUE INFORMATION

(a) Fair value of financial instruments

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

- (i) The carrying amounts of financial assets and liabilities recorded at cost or amortized cost with short-term or floating interest rates approximated their fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of long-term bonds and other non-current liabilities — put right liabilities arising from business combination are mostly determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimates the fair values using pricing models including discounted cash flow or binomial pricing models.

(b) Fair value hierarchy

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

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

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

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59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

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

	As at 30 June 2020 (Unaudited)			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	2,194,144	22,010,715	211,165	24,416,024
– Equity securities	5,153,485	114,660	360,618	5,628,763
– Funds	13,271,344	1,019,531	-	14,290,875
– Others	42	2,616,309	18,363,094	20,979,445
Debt instruments at fair value through other comprehensive income				
– Debt securities	-	10,790,215	11,926	10,802,141
Equity instruments at fair value through other comprehensive income				
– Equity securities	24,404	43,775	587,689	655,868
– Other investments	-	4,358,790	-	4,358,790
Derivative financial assets	734	-	29,352	30,086
Total	<u>20,644,153</u>	<u>40,953,995</u>	<u>19,563,844</u>	<u>81,161,992</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
– Structured entities	-	189,339	371,917	561,256
Derivative financial liabilities	4,291	-	174,690	178,981
Total	<u>4,291</u>	<u>189,339</u>	<u>546,607</u>	<u>740,237</u>

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59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

	As at 31 December 2019 (Audited)			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– 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

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.

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

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59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(i) Financial instruments in Level I

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

(ii) Financial instruments in Level II

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

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

(iii) Valuation methods for specific investments

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

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

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59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(iv) Financial instruments in Level III

The following table shows a reconciliation from the opening 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	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2020	21,286,111	542,867	13,456	-	(405,952)	-	21,436,482
Transfers in	18,482	1,500	-	-	-	-	19,982
(Losses)/gains for the period	(252,780)	-	-	1,605	100,437	1,885	(148,853)
Changes in fair value recognised in other comprehensive income	-	37,638	(1,530)	-	-	-	36,108
Purchases and issues	6,104,146	7,300	-	27,747	(66,402)	(176,575)	5,896,216
Sales and settlements	(8,221,082)	(1,616)	-	-	-	-	(8,222,698)
As at 30 June 2020	18,934,877	587,689	11,926	29,352	(371,917)	(174,690)	19,017,237

	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	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2019	14,088,791	534,498	74,434	-	(287,616)	-	14,410,107
Transfers in	95,515	12,485	-	-	-	-	108,000
Transfers out	(938)	-	-	-	-	-	(938)
Losses 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 and issues	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	21,286,111	542,867	13,456	-	(405,952)	-	21,436,482

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59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

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

Financial assets / liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Stock with disposal restriction within a specific period	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Wealth management products, private placement bonds	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	Market valuation approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Derivative financial assets	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Derivative financial assets	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities at fair value through profit or loss	Market valuation approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Derivative financial liabilities	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Derivative financial liabilities	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value

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59. FAIR VALUE INFORMATION (continued)

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

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2019 and 30 June 2020, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

Carrying amount:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Financial assets		
- Financial assets measured at amortized cost	<u>6,260,735</u>	<u>7,205,866</u>
Financial liabilities		
- Long-term bonds	<u>37,396,109</u>	<u>47,356,464</u>

Fair value:

	As at 30 June 2020 (Unaudited)			
	Level I	Level II	Level III	Total
Financial assets				
- Financial assets measured at amortized cost	-	<u>6,462,928</u>	-	<u>6,462,928</u>
Financial liabilities				
- Long-term bonds	-	<u>36,285,206</u>	<u>1,465,215</u>	<u>37,750,421</u>
	As at 31 December 2019 (Audited)			
	Level I	Level II	Level III	Total
Financial assets				
- Financial assets measured at amortized cost	-	<u>7,412,363</u>	-	<u>7,412,363</u>
Financial liabilities				
- Long-term bonds	-	<u>43,851,014</u>	<u>2,913,658</u>	<u>46,764,672</u>

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

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

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60. GUARANTEES

During the reporting period, guarantees provided by the Company mainly included the provision of net capital guarantee for Shanghai Everbright Securities Assets Management Co., Ltd., a wholly-owned subsidiary of the Company, and counter guarantee to the guarantor for the loan of the overseas commercial bank of the wholly-owned subsidiary, Everbright Securities Financial Holdings Limited("EBSHK"). As at 30 June 2020, the balance of such guarantees was approximately RMB4.067 billion.

During the reporting period, guarantees provided by the controlling subsidiaries of the Company mainly included the loan guarantees and financing guarantees provided by EBSHK, a wholly-owned subsidiary of the Company, and its subsidiaries to their subsidiaries for the business development of such companies. As at 30 June 2020, the balance of such guarantees was approximately RMB5.471 billion.

In July 2020 and August 2020, guarantees provided by the Company mainly included loan guarantees and financing guarantees for EBSHK amounted to HKD600 million and USD100 million, respectively.

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61. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Other than those matters as already disclosed elsewhere in the consolidated financial statements, significant events after the reporting period included the following event:

(a) Issuance of corporate bonds and a subordinated bond after the reporting period

On 6 July 2020, the Company issued a short-term debt instrument with an aggregate principal amount of RMB2 billion, which has a term of 80 days and bears interest at a rate of 1.95%.

On 14 July 2020, the Company issued a corporate bond with an aggregate principal amount of RMB3.7 billion through public offering, which has a term of 3 years and bears interest at a rate of 3.60%.

On 23 July 2020, the Company issued a short-term debt instrument with an aggregate principal amount of RMB2 billion, which has a term of 90 days and bears interest at a rate of 2.55%.

On 17 August 2020, the Company issued a perpetual subordinated bond with an aggregate principal amount of RMB2 billion. The bonds bear an initial annual interest rate of 4.40%. The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years.

On 20 August 2020, the Company issued a short-term debt instrument with an aggregate principal amount of RMB3 billion, which has a term of 90 days and bears interest at a rate of 2.62%.

(b) Redemption of corporate bonds after the reporting period

On 23 April 2020, the Company issued a short-term debt instrument with an aggregate principal amount of RMB2 billion, which has a term of 90 days and bears interest at a rate of 1.36%. The redemption work of this bond was completed on 22 July 2020.

On 14 May 2020, the Company issued a short-term debt instrument with an aggregate principal amount of RMB2 billion, which has a term of 90 days and bears interest at a rate of 1.55%. The redemption work of this bond was completed on 12 August 2020.

On 28 May 2020, the Company issued a short-term debt instrument with an aggregate principal amount of RMB2 billion, which has a term of 90 days and bears interest at a rate of 1.60%. The redemption work of this bond was completed on 26 August 2020.

(c) Subsidiary capital increase

In August 2020, EBSHK completed a capital increase of HKD2.3 billion with the paid-in capital increasing from HKD2.765 billion to HKD5.065 billion.

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62. COMPARATIVE FIGURES

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

63. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. As far as the Group's businesses are concerned, the overall impact of the COVID-19 pandemic on the entity's financial position and financial performance is limited.

64. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 26 August 2020.