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

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6178)**

**INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED  
JUNE 30, 2018**

The board of directors (the “**Board**”) of Everbright Securities Company Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2018. This announcement, containing the full text of the 2018 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The printed version of the Company’s 2018 interim report will be dispatched to the holders of H Shares of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.ebscn.com](http://www.ebscn.com) by the end of September 2018.

By order of the Board  
**Everbright Securities Company Limited**  
**Xue Feng**  
*Chairman*

Shanghai, the PRC  
August 28, 2018

*As at the date of this announcement, the Board comprises Mr. Xue Feng (Chairman, Executive Director), Mr. Ju Hao (Non-executive Director), Mr. Yan Jun (Non-executive Director), Mr. Song Bingfang (Non-executive Director), Mr. Yin Lianchen (Non-executive Director), Mr. Chan Ming Kin (Non-executive Director), Mr. Xue Keping (Non-executive Director), Mr. Xu Jingchang (Independent Non-executive Director), Mr. Xiong Yan (Independent Non-executive Director), Mr. Li Zheping (Independent Non-executive Director) and Mr. Au Sing Kun (Independent Non-executive Director).*

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## IMPORTANT NOTICE

1. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the contents in this interim report and there is no misrepresentation, misleading statement or material omission from this interim report and accept several and joint responsibilities for truthfulness, accuracy and completeness of the contents contained herein.
2. The report has been considered and approved at the Eighth Meeting of the Fifth Session of the Board of Directors of the Company. The number of Directors that should attend the Board meeting was 11 and the number of Directors having voted at the Board meeting was 11. None of the Directors or Supervisors has made any objection to this report.
3. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the International Financial Reporting Standards and have not been audited, while having been reviewed by Ernst & Young. Unless otherwise stated, the data set out in this report is denominated in RMB.
4. Mr. Xue Feng, the chairman of the Board of Directors of the Company, Mr. Zhou Jiannan, 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 investors. Investors should be reminded of the risks of investment.
6. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholder and their related parties during the Reporting Period.
7. The Company has not provided any external guarantees which were in violation of stipulated decision-making procedures during the Reporting Period.
8. The Company had no plan of cash dividend distribution and bonus share proposals or proposal for transfer of capital reserve fund into capital for the first half of 2018.
9. The Company prepared this interim report in both English and Chinese languages. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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

Company, our Company or Everbright Securities	Everbright Securities Company Limited (光大證券股份有限公司)
Everbright Group	China Everbright Group Ltd. (中國光大集團股份有限公司), the largest shareholder of the Company
Everbright Limited	China Everbright Limited (中國光大控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 165), the second-largest shareholder of the Company
Everbright Capital	Everbright Capital Investment Co., Ltd. (光大資本投資有限公司), a wholly-owned subsidiary of the Company
Everbright Fortune	Everbright Fortune Investment Co., Ltd. (光大富尊投資有限公司), a wholly-owned subsidiary of the Company
Everbright Futures	Everbright Futures Co., Ltd. (光大期貨有限公司), a wholly-owned subsidiary of the Company
Everbright Asset Management	Shanghai Everbright Securities Asset Management Co., Ltd. (上海光大證券資產管理有限公司), a wholly-owned subsidiary of the Company
EBSHK	Everbright Securities Financial Holdings Limited (光大證券金融控股有限公司), a wholly-owned subsidiary of the Company
Everbright Pramerica	Everbright Pramerica Fund Management Co., Ltd. (光大保德信基金管理有限公司), a controlling subsidiary of the Company
Everbright Leasing	Everbright Fortune International Leasing Co., Ltd. (光大幸福國際租賃有限公司), a subsidiary of the Company
Everbright Eascreate	Everbright Eascreate Network Technology Co., Ltd. (光大易創網絡科技股份有限公司)
Everbright Yunfu	Everbright Yunfu Internet Co., Ltd. (光大雲付互聯網股份有限公司)
Everbright Development	Everbright Development Investment Co., Ltd. (光大發展投資有限公司), a wholly-owned subsidiary of the Company
ESIL	Everbright Securities (International) Limited (光大證券(國際)有限公司), a wholly-owned subsidiary of EBSHK
SHKFGL	Sun Hung Kai Financial Group Limited (新鴻基金融集團有限公司), whose equity interest is held 70% by EBSHK and 30% by Sun Hung Kai & Co. Limited, respectively

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

Everbright SHK	Everbright Sun Hung Kai Company Limited (光大新鴻基有限公司), a wholly-owned subsidiary of SHKFGL
Dacheng Fund	Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company
Reporting Period	the first half of 2018 (January 1, 2018 to June 30, 2018)
Directors	the directors of the Company
Board or Board of Directors	the board of Directors of the Company
Supervisors	the supervisors of the Company
Supervisory Committee	the supervisory committee of the Company
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
Huijin	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
PBOC	People's Bank of China, the central bank of the PRC
SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
CSFC	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
PB	prime brokerage
OTC	over-the-counter
PPP	Public-private Partnership
FICC	Fixed Income, Currencies and Commodities
QFII	qualified foreign institutional investor
IPO	initial public offering
securitization, ABS	financing through issuance of tradeable securities backed by specific asset portfolios or cash flows
margin financing and securities lending	provision of collateral by investors to securities firms to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending)

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
related party transaction(s)	has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time, unless otherwise stated
connected transaction(s)	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
H Shares	foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
Renminbi or RMB	RMB, the lawful currency of the PRC. Amounts are in RMB unless otherwise indicated in this report
HK\$ or Hong Kong dollars or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
AUM	asset under management
IFRS	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board, and interpretation issued by the International Accounting Standards Committee (IASC)
PRC GAAP	the PRC Accounting Standards for Business Enterprises
Wind Info	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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. Company Information

Chinese name of the Company	光大證券股份有限公司
Short name of the Company in Chinese	光大證券
English name of the Company	Everbright Securities Company Limited
Abbreviated name of A Shares of the Company in English	EBSCN
Abbreviated name of H Shares of the Company in English	EB SECURITIES
Legal representative of the Company	Mr. Zhou Jiannan
Executive president of the Company	Mr. Zhou Jiannan
Secretary to the Board	Ms. Zhu Qin
Company Secretary	Dr. Ngai Wai Fung
Authorized representatives	Mr. Xue Feng and Dr. Ngai Wai Fung

### Registered capital and net capital of the Company

Unit: RMB Yuan

	As at June 30, 2018	As at December 31, 2017
Registered capital	4,610,787,639.00	4,610,787,639.00
Net capital	32,082,583,245.82	32,683,686,858.18

### Business qualifications

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

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### II. Contact Person and Information

#### Secretary to the Board and Representative of Securities Affairs

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

### III. Basic Information

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

### IV. Information Disclosure and Place of Inspection

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

### V. Information on the Company's Shares

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. Key Accounting Information and Financial Indicators of the Company

#### (I) Key accounting information and financial indicators

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

Item	January to June 2018 (RMB'000)	January to June 2017 (RMB'000)	Variance as compared to the last corresponding period
<b>Operating results</b>			
Revenue and other income	6,980,614	6,279,176	11.17%
Profit before income tax	1,373,400	1,637,366	(16.12)%
Net profit attributable to shareholders of the Company	968,792	1,237,488	(21.71)%
Net cash generated from/(used in) operating activities	(161,685)	1,527,562	N/A
	(RMB/share)	(RMB/share)	
<b>Earnings per share</b>			
Basic earnings per share	0.21	0.27	(21.71)%
Diluted earnings per share	0.21	0.27	(21.71)%
<b>Index of profitability</b>			
Weighted average returns on net assets (%)	1.98	2.60	decreased by 0.62 percentage point

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Item	As at June 30, 2018 (RMB'000)	As at December 31, 2017 (RMB'000)	Variance as compared to the end of the last corresponding period
<b>Scale indices</b>			
Total assets	<b>211,114,182</b>	205,864,365	2.55%
Total liabilities	<b>161,134,574</b>	155,841,697	3.40%
Accounts payable to brokerage clients	<b>42,835,676</b>	41,060,343	4.32%
Equity attributable to shareholders of the Company	<b>48,522,397</b>	48,575,912	(0.11)%
Total equity of owners	<b>49,979,608</b>	50,022,668	(0.09)%
Total share capital ('000 shares)	<b>4,610,788</b>	4,610,788	0.00%
Net assets per share attributable to shareholders of the Company (RMB/share)	<b>10.52</b>	10.54	(0.19)%
Gearing ratio (%) <sup>(Note)</sup>	<b>70.30%</b>	69.65%	increased by 0.65 percentage point

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

The net profit from January to June 2018 and January to June 2017 and the net assets as at June 30, 2018 and December 31, 2017 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, 2018 (RMB'000)	As at December 31, 2017 (RMB'000)
Net capital	32,082,583	32,683,687
Net assets	48,085,597	48,422,140
Total risk capital reserves	14,287,210	12,200,415
Total on-/off-balance sheet assets	141,771,811	140,291,182
Risk coverage (%)	224.55	267.89
Capital leverage ratio (%)	24.67	25.38
Liquidity coverage ratio (%)	250.78	233.05
Net stable funding ratio (%)	139.65	140.19
Net capital/net assets (%)	66.72	67.50
Net capital/liabilities (%)	35.95	37.47
Net assets/liabilities (%)	53.88	55.52
Value of proprietary equity securities and securities derivatives/net capital (%)	29.12	28.90
Value of proprietary fixed-income securities/net capital (%)	163.00	158.82

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

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

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

#### (I) The Company's Principal Business Model

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

**Credit business:** The Company earns interest income from margin financing and securities lending, collateralized stock repurchase transactions, securities transactions under repurchase agreement and financing-oriented option exercise with respect to share incentive schemes of listed companies, and also earns income from financial leasing business carried out by Everbright Leasing.

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

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

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

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

##### *Global Economic Situation:*

In the first half of 2018, the global economy continued with last year's growth momentum, witnessing the same positive trend in the recovery. However, the marginal growth momentum weakened as there was not a solid foundation for the recovery along with the uneven pace of the recovery, thus putting global economic cooperation into a difficult situation. The pressure from international trade friction was mounting tremendously as the trade disputes initiated by the United States has gone global. As a result of America's protectionism and Fed's interest rate hikes, the strengthened US dollar weighed on the commodity market and the currencies of some emerging economies were put to a severe test over the past six months. Against the backdrop of Fed's accelerated pace of interest rate hikes, the recent "black swan" events occurred in Europe will drive more money to flow into the United States, leading to growing vulnerabilities in the global financial system and increased financial risks in emerging economies. Looking ahead, the global economy will be encountering the two biggest risks: the trade protectionism initiated by the United States and a shift in global easing monetary policy.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### *China's Economic Situation:*

Amid growing external uncertainties, pressure from conventional export momentum and decline in the rate of growth in infrastructure investment, China's domestic GDP grew by 6.8% year-on-year in the first half of 2018, decreased by 0.1 percentage point year-on-year. The national economy continued to grow positively with stable momentum as the transformation and upgrading were proved effective and new driving forces were growing rapidly. The economy was running smoothly; the structure was optimized and upgraded; the driving forces were shifted rapidly and the quality and efficiency were improved. GDP remained in the range of 6.7% to 6.9% for 12 consecutive quarters, suggesting that the Chinese economy was equipped with "new resilience". In the second half of 2018, China's economic cycle will continue to evolve as "decelerated pace for enhanced quality" rages on. The deepening domestic supply-side reform promotes the adjustment and upgrade of economic structure. The pain brought by the structural adjustment will present challenges to the economic operation in the short run, while systemic risks will be mitigated gradually and the effectiveness of policy instruments will be improved as a result of the continuous effect of "de-leverage + stringent regulation" in the financial sector.

### *Industry Regulation:*

In the first half of 2018, the functions of the China Banking Regulatory Commission and the China Insurance Regulatory Commission were integrated to form the CBIRC, putting an end to the multi-line regulatory regime. The structural reform on the service supply side for protecting the legitimate rights and interests of investors, and for serving the real economy conscientiously, the prevention of risks and the deepening of reform will be the three major tasks of the CSRC this year. In terms of policy, various regulatory authorities introduced a number of documents to continue with the stringent regulation from the end of 2017. Revamping the financial regulatory system across all aspects, continuously improving the level of compliance in the financial industry and preventing the occurrence of systemic financial risks became the top priorities of financial regulation. The regulated supervision of investment banking, asset management, stock pledge and other services was constantly stepped up; penalties for securities violations were increased; internal control guidelines for investment banking, new rules for stock pledges and new regulations for asset management officially came into force; and the rules governing the equity holdings of securities companies and the measures governing foreign-invested securities companies were introduced successively. The regulatory authorities continued to implement the reform concept of returning to the true nature of finance and serving the real economy; offered more support to "unicorn" companies and new-economy companies; and published the "Notice of Several Opinions on a Pilot Scheme for the Issue of Stocks or Depositary Receipts by Innovative Enterprises Inside China", which defined the framework arrangements for the IPO and CDR dual-track operation.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### *Overview of the Capital Market:*

Since the beginning of the year, China's economy has weakened slightly, social financing has continued to shrink, Sino-US trade disputes have become volatile and the PBOC has made two RRR (reserve requirement ratios) cuts. The A-share market weakened generally under the reciprocal effect of various internal and external factors such as deleveraging and trade wars. The major indexes fell across the board, suggesting a sign of the evident market concerns over the existing in-market capital or even reduced capital. The capital market was experiencing a structural change, indicating a switch in investors' favor from stocks to bonds. During the Reporting Period, the SSE Composite Index and CSI 300 Index fell by 13.9% and 12.9% respectively, while the ChinaBond Aggregate Full Price (Total Value) Index rose by 2.99%. The trading volume of the secondary market was significantly shrinking, with thin trading and low level of transaction activities. In the first half of 2018, the daily average unilateral turnover of stocks and funds in the market was RMB480.5 billion, decreased by 3.63% from the end of 2017. As at the end of June 2018, the balance of securities margin trading of the SSE and SZSE was RMB919.4 billion, decreased by 10.42% from the end of 2017. The primary market witnessed a downturn in the volume of underwriting. According to the statistics from Wind Info, as at the end of June 2018, the total amount of proceeds raised from the A-share market was RMB660.5 billion, decreased by 21% from the same period last year; the amount of proceeds raised from IPO was RMB92.3 billion, decreased by 26% from the same period last year; the refinancing volume was RMB367.8 billion, decreased by 45.41% from the same period last year; according to the statistics from the Securities Association of China, volume of bond underwriting by securities companies was RMB3.28 trillion in the first half of 2018, increased by 9.63% from the same period last year.

### *Industry Overview:*

According to the statistics released by the Securities Association of China, as at the end of June 2018, the total assets, net assets and net capital of 131 securities companies amounted to RMB6.38 trillion, RMB1.86 trillion and RMB1.56 trillion respectively, increased by 3.85%, 0.45% and negative 0.81% respectively from the end of 2017. According to the statistics released by the Securities Association of China, in the first half of 2018, the operating income and net profit (note: on a parent-company basis) from the 131 securities companies amounted to RMB126.572 billion and RMB32.861 billion respectively, decreased by 11.92% and 40.53% respectively from the same period last year.

## 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 for trading, financial assets held under resale agreements, debt investments, other debt investments, long-term equity investments and other investments in equity instruments. For details of the changes in the major assets during the Reporting Period, please refer to Section IV (II) 4. "Analysis of principal components of consolidated statement of financial position" of this report. In particular, overseas assets reached RMB28,164,767,244.80, representing 13.34% of the total assets.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

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

#### (I) Core financial services platform of Everbright Group, benefiting from synergies within the Group and its brand recognition

Everbright Group, the controlling shareholder of the Company, was established by the Ministry of Finance and Huijin. It is a large-scale financial conglomerate covering the financial business and a wide range of industries at home and abroad, and is listed on the Fortune Global 500. Everbright Group has developed an overall industrial strategy of “refining finance, optimizing industries and strengthening the group”, and reinforced its leading positions in the “three-universal and one-innovative” industries, namely “universal tourism, universal healthcare, universal environmental protection and innovative technology”, thus making Everbright Group a top-class financial conglomerate with global competitiveness. As the core platform of financial services under Everbright Group, the Company has leveraged on the brand advantage of Everbright Group and carried out extensive cooperation and collaboration in customer development, channel development, industry and finance integration and business models.

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

Having been established for 22 years, the Company experienced and witnessed the formation of the Chinese capital market from scratch, its development, innovation, reform and opening up. After being listed on the Main Board of the SSE in 2009 and on the Main Board of the Hong Kong Stock Exchange in 2016, the Company has become a large securities financial group with 7 direct-holding subsidiaries, 14 branch companies and 235 securities brokerage branches. With investment banking as the principal business, the Company has full licenses in the securities industry and its subsidiaries' business include asset management, mutual funds, private equity funds, alternative investments, futures, financing leases, PPP etc., spanning across mainland China, Hong Kong, the United Kingdom and other countries and regions. The balanced development across the Company's business lines has brought a balanced and stable source of income to the Company. The various business segments of the Company worked in synergy with each other to form a relatively comprehensive product chain, providing a series of financial products and services to domestic and foreign customers to meet their diversified needs.

#### (III) Leading integrated onshore and offshore financial services platform

The Company has always adhered to its overall strategic goal of “actively promoting internationalization and achieving integration at home and abroad” with Hong Kong as the base for multiple overseas deployment. Operating under the brand of “Everbright Sun Hung Kai” in Hong Kong, the Company has become a full-value-chain domestic- and foreign-integrated financial services provider. During the Reporting Period, Everbright Sun Hung Kai has achieved outstanding results in various business segments and was honored with 11 significant industry awards and recognitions, including 2017 “Best Securities Broker in Hong Kong” from The Asset's Asian awards and the “Securities Firm of the Year” from Bloomberg Businessweek (Chinese edition). North Square Blue Oak Ltd., a British institutional brokerage and research firm acquired by the Company in 2017, has been renamed as “Everbright Sun Hung Kai (UK)” and will play a more important role in the globalization of the Company.



## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### (IV) Industry pioneer with strong innovation capabilities

As one of the first three innovative pilot securities firms in the country, the Company has first-mover advantages in innovation in many business fields and has been repeatedly among the first batch of industry players to obtain innovative business qualifications. In recent years, the Company has continuously enhanced innovation capability building and the commercialization of innovative ideas. Specially, the Company promoted top-down innovation reform through strategic planning and high-level institutional design and encouraged bottom-up innovation atmosphere by establishing internal incentive mechanisms such as innovation award and “Golden Idea” award. At present, the Company has established the first professional subsidiary in the industry to serve PPP (public-private partnership) projects, with a view to serving the real economic development by innovating in business models. The Company completed the first asset securitization project backed by subsidy for new energy price in China and was among the first batch of companies to support medium-term notes projects under the Belt and Road Initiative, demonstrating its industry-leading innovation capability. In recent years, the Company has vigorously developed FinTech to empower business development with technology innovations. With its self-developed “E-Counter” system, the Company took the lead in the industry in building a technologically-advanced and user-friendly as well as fast branch operation platform which has comprehensive functions, laying a system foundation for efficient and centralized operation and management. The Company’s self-designed real-time securities trading business processing method has effectively solved the technical problems in “7x24 hours” continuous service support and received a national invention patent, achieving a zero breakthrough in patented technology in the domestic securities industry. Moreover, its intelligent investment advisory system “Robo-advisor Matrix (智投魔方)” comprehensively uses big data, cloud computing and other technologies to realize accurate identification of, targeted marketing towards and tailor-made services for retail customers.

### (V) Prudent risk management and internal control

The Company has established a comprehensive risk control mechanism. By incorporating risk planning into the Company’s strategies, centralizing risk data and optimizing risk management policies, techniques and systems as well as the full coverage of its subsidiaries, the Company has set up a strong risk prevention system and is one of the first securities firms with a comprehensive risk management strategy. During the Reporting Period, the Company continued to optimize risk management procedures and promote a risk averse culture, expanded the risk management team, and enhanced the standard of the risk management information system to continuously improve the Company’s overall risk management system. All risk control indicators of the Company continuously met the requirements of the regulatory authorities, enabling the Company to maintain healthy and sound business development. The prudent and effective risk management system has ensured the further enhancement of the Company’s overall capabilities.

### (VI) Experienced management team and high-quality and stable workforce

The Company’s senior management team has extensive management experience in the securities and financial industry. Having a deep knowledge of the current national affairs and the financial industry, they are able to capitalize on the market trend. Meanwhile, the Company’s workforce comprises high-quality staff, young and energetic talent, and efficient and competent colleagues. During the Reporting Period, the Company facilitated the “de-bureaucracy” reform in line with its strategic development plan, further streamlining the management structure and expanding management responsibilities, so as to improve organizational efficiency and further unleash organizational energy. The Company also optimized the MD system and the remuneration system, further tapping into its human resource strengths.

## SECTION IV REPORT OF THE BOARD

### I. Discussion and Analysis of Business Operation

During the Reporting Period, in the face of complex market environment and continuous strict regulation and in the principle of “seeking progress amidst stability and realizing high-quality development”, the Company implemented its strategic plan in an all-round manner, strengthened risk and compliance management, pushed forward high-quality development amid headwinds, consolidated its existing strengths, upgraded business operations, and optimized the allocation of resources, in an effort to develop competitive advantages in the whole industry chain. By solidly promoting various work initiatives, the Company improved its overall operating performance. In January to June 2018, the Company recorded operating revenue and other income of RMB6.98 billion, representing a year-on-year increase of 11.2%; the net profit was RMB1.04 billion, representing a year-on-year decrease of 19.1%.

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

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

Table 1 Table of the principal businesses by segments

Unit: RMB'000

Item	January to June 2018				January to June 2017			
	Segment revenue		Segment expenses		Segment revenue		Segment expenses	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,406,719	20%	1,096,114	19%	1,630,109	26%	1,073,983	23%
Credit business	1,797,716	26%	1,197,659	21%	1,563,469	25%	845,743	18%
Institutional securities business	599,614	9%	568,460	10%	894,535	14%	512,581	11%
Investment management	1,267,115	18%	605,849	11%	942,307	15%	707,473	15%
Overseas business	815,854	12%	764,356	14%	701,350	11%	728,585	16%

#### 1) Brokerage and Wealth Management

The brokerage and wealth management business segment comprises securities brokerage business, wealth management business and futures brokerage business. In the first half of 2018, such business segment realized revenue of RMB1.4 billion, representing 20% of the total revenue.

##### (1) Securities brokerage business

##### Market environment

In the first half of 2018, the securities brokerage market saw fiercer competition. As of the end of June of 2018, the aggregate daily average market trading volume of stocks and funds was RMB480.5 billion, decreased by 3.63% from the end of 2017. As market trading had been less active, the commission rate of brokerage business in the industry continued to decline. Given the increasing number of securities brokerage branches, brokerage business revenue and profit decreased year-on-year.

##### Operation measures and results

In terms of securities brokerage business, with a focus on consolidating its basic services, the Company continued to deepen the reform of branches, strengthen the customer service system, and roll out retail outlets at full steam. Specific measures include:

## SECTION IV REPORT OF THE BOARD

Firstly, the Company optimized the customer structure, continuously strengthened its customer base and institutional foundation, and put more efforts in such basic business activities as opening new accounts, increasing high-net-worth customers, and scaling up customer assets. Secondly, the Company continuously optimized relevant rules and policies including the business operation rules, personnel rules and management rules to make them more aligned with the requirements of market competition. Thirdly, the Company stepped up efforts in product sales business, laid more emphasis on performance appraisal on product sales, and carried out a number of marketing activities for product sales such as “Getting Closer to Funds” and “Getting Closer to Branches”. By selling products on a commission basis, the Company turned traditional trading customers into product-buying customers, demonstrating an ongoing shift towards wealth management. Fourthly, the Company strengthened monitoring and assessment of core business indicators and carried out special activities to promote Southbound Trading business, IB business and product sales business, thus effectively improving such indicators as the market share of net income from securities trading on behalf of customers and the trading volume of stocks and funds. Fifthly, the Company strengthened collaboration with the subsidiaries of Everbright Group. For example, it worked with Everbright Bank to launch the “Make a Good Start” campaign, which helped significantly increase the number of new customers. Sixthly, the Company gradually pushed forward the promotion of service outlets according to its strategic plan for promotion of service outlets. As a result, the outlet promotion work went smoothly in the first half of 2018.

As of the end of June, the Company had 14 branch companies and 235 securities branches in the PRC. Its market share of net income from securities trading on behalf of customers increased by 0.05 percentage point as compared to the end of 2017, climbing one place higher in the market ranking. The sales of commission-based financial products recorded a year-on-year increase of 14%. The number of newly opened accounts in the first half of 2018 was approximately 260,000, representing a year-on-year increase of 24%.

### **Outlook for the second half of 2018**

In the second half of 2018, the brokerage business segment will continue to transform from traditional channel business to wealth management business, and strengthen basic business indicators including the number of customers, customer assets and the number of high-net-worth customers by expanding the customer base and improving customer services. The Company will leverage the synergy within the Everbright Group to promote broader and deeper development of its brokerage business. Meanwhile, in the process of business development, the Company will further strengthen compliance management and customer suitability management, improve the business systems and processes, and supervise the implementation of related requirements by all branches.

## SECTION IV REPORT OF THE BOARD

### (2) *Wealth management business*

#### **Market environment**

In 2018, with the continuous accumulation of wealth by domestic residents, changing market environment and significant market volatility, the awareness of and demand for preservation and appreciation of wealth among wealthy people have never been stronger. The traditional business of securities firms saw increasingly stiff competition, reinforcing the impetus for transformation to wealth management.

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

In the first half of 2018, with a focus on the core objective of “establishing a leading retail customer service system”, the Company’s wealth management business segment continued to build up a comprehensive product and service system, in an all-out effort to create a wealth management model with “quantitative management as the main approach and asset allocation among key asset classes as the core”. Everbright Fortune Club (富尊會俱樂部) provided wealth management solutions or customized services for high-net-worth clients through the “Construction of Retail Customer Service System” and “Golden Sunshine Wealth Management Plan”, and launched the “Investment Advisor Elite Program” to continuously improve the professional service capabilities and asset allocation capabilities of the Company’s investment advisors.

#### **Outlook for the second half of 2018**

In the second half of 2018, the Company’s wealth management business segment will continue to push forward the construction of its retail customer service system, covering customer classification and grading, consulting service system, financial product system, service team, service measures, service platform, service standardization, implementation and supervision of the system. By doing so, the Company aims to promote the transformation of branches to focus on wealth management in an all-round way and create higher value through services. The Company will provide customers with comprehensive services ranging from portfolio products to asset allocation services and to customized services for high-net-worth customers so as to meet customers’ professional and diversified wealth management needs.

### (3) *Futures brokerage business*

#### **Market environment**

In the first half of 2018, in the mixed context of macroeconomic adjustment, trade frictions, environmental protection, weather, capital and other factors, there was a clear divergence in performance among various futures products and the risk averse sentiment prevailed, resulting in no evident improvement in trading activities. As of the end of June, the cumulative trading volume in the whole market decreased by 4.93% year on year, while the cumulative turnover increased by 11.86% year on year due to the overall rebound in commodity prices.

## SECTION IV REPORT OF THE BOARD

### Operation measures and results

In the first half of 2018, the Company's futures business segment comprehensively improved its adaptability to changes and resource integration capabilities, actively sought breakthroughs in innovation and transformation, stepped up efforts in serving the real economy with futures, and promoted the "insurance + futures" service model in many regions, in an effort to pursue higher-quality development. In the first half of 2018, Everbright Futures saw overall stable performance. It recorded a daily average margin of RMB7.503 billion, with its market share of turnover stood at 2.32%, representing a year-on-year increase of 8.92%. As at the end of June, the market shares of Everbright Futures in Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and China Financial Futures Exchange were 0.96%, 3.31%, 3.05% and 3.73%, respectively. Its cumulative trading volume of stock options in the first half of 2018 represented a market share of 3.59%, ranking 4th among futures companies and 8th in the whole market.

### Outlook for the second half of 2018

In the second half of 2018, Everbright Futures will further enhance its core competitiveness by deepening synergy within the Group, strengthening risk control awareness and developing innovative business, so as to cope with market changes and needs with more comprehensive and professional service capabilities. Meanwhile, the Company will earnestly consolidate its fundamental mission to serve the real economy, and focus on improving risk management, wealth management and other capabilities, with a view to laying a solid foundation for the Company's business transformation.

## 2) Credit Business

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In the first half of 2018, such business segment realized revenue of RMB1.8 billion, representing 26% of the total revenue.

### (1) Margin financing and securities lending

#### Market environment

With tightening market regulation and intensifying deleveraging efforts, the first half of 2018 saw a shrinkage of credit business in the whole market. As at the end of June, the balance of margin financing and securities lending in the whole market was RMB919.382 billion, representing a decrease of 10.41% as compared to the end of 2017. Among that, the balance of margin financing was RMB912.909 billion, representing a decrease of 10.7% as compared to the end of 2017; the balance of securities lending was RMB6.473 billion, representing an increase of 43.7% as compared to the end of 2017.

## SECTION IV REPORT OF THE BOARD

### Operation measures and results

In the first half of 2018, the Company focused on high-net-worth customers and institutional customers through effective business initiatives, with margin financing and securities lending business developing steadily. As at the end of June, the balance of margin financing and securities lending of the Company was RMB28.483 billion, representing a year-on-year increase of 5.95% and a decrease of 5.32% as compared to the end of 2017. It grabbed a market share of 3.10%, up 0.04 percentage point year on year and 0.17 percentage point from the end of 2017 and ranking 11th in the market. As at the end of June, the balance of securities lending of the Company was RMB467 million, representing a market share of 7.21%.

### (2) Collateralized stock repurchase transactions

#### Market environment

In the first half of 2018, with the new regulations on collateralized stock repurchase transactions officially coming into effect and given the tightening market regulation and intensifying deleveraging efforts, the risk of collateralized stock repurchase transactions became greater, and collateralized stock repurchase transactions in the whole market were scaled down. According to the statistics from the Securities Association of China, the amount of collateralized stock repurchase transactions in the whole market as at the end of June was RMB1,392.897 billion, representing a decrease of 10.72% as compared with the end of 2017. In particular, the lending of securities firms' proprietary funds amounted to RMB770.123 billion, representing a decrease of 6.07% as compared with the end of 2017 and 55.29% of the total collateralized stock repurchase transactions.

### Operation measures and results

In the first half of 2018, with a focus on business development and risk control, the Company continued to optimize the structure of its collateralized stock repurchase business to target major shareholders and controlling shareholders of listed companies. As a result, its market share and market ranking continued to rise. As at the end of June, the balance of collateralized stock repurchase transactions of the Company was RMB40.167 billion, representing a year-on-year increase of 1.37% and a decrease of 9.23% as compared to the end of 2017. As at the end of April, it had a market share of 2.78%, up 0.16 percentage point year on year and 0.06 percentage point from the end of 2017. In this regard, it ranked 11th in the industry, up one place year on year and two places from the end of 2017, achieving progress for four consecutive years.

As at the end of June, the weighted average coverage ratio of collateralized stock repurchase transactions of the Company was 204.04% and the risks remained generally controllable.

## SECTION IV REPORT OF THE BOARD

### **Outlook for the second half of 2018**

In the second half of 2018, the credit business segment of the Company will continue to focus on the “transformation to capital intermediary business”. Specifically, it will target institutional customers and high-net-worth customers for margin financing and securities lending business and strategic customers for collateralized stock repurchase business. It will focus on developing private placement funds to enjoy margin financing and securities lending services, and leverage the merits of industry-finance integration for collateralized stock repurchase business to serve the real economy while strengthening the risk identification and management before and after loan approvals.

### *(3) Financing leasing business*

#### **Market environment**

In recent years, China's financial leasing industry has maintained rapid growth, with the number of enterprises, registered capital and the balance of financial lease contracts in the industry increasing quickly. Though affected by policy changes and tightening regulation, the industry still shows strong resilience and is expected to maintain the healthy and rapid growth momentum.

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

In the first half of 2018, in the face of many challenges such as the decline in market demand and the increase in business risks, Everbright Leasing proactively adapted to changes, persisted in professional operation, explored innovative business and practiced industry-finance integration while maintaining the steady growth in traditional financial leasing business. As a result, the Company's financing channels become more diverse, and its “One Body, Two Wings” business structure has initially taken shape. In the field of general aviation, the Company expanded its aviation fleet, engaged in the relevant training market and bought into aviation companies. In the field of shipping, the Company explored and carried out financial leasing business based on ship assets to expand its market influence. In the first half of 2018, Everbright Leasing completed investment in a total of 18 new financial leasing projects, with a total investment of RMB1.156 billion. Cumulatively, the Company has invested a total of RMB9.846 billion in such projects and generated a total rent of RMB4.971 billion.

### **Outlook for the second half of 2018**

In the second half of 2018, Everbright Leasing will tighten its grip on the main line of business, adhere to the thinking of investment banks, strengthen risk management, and deepen professional operation, in a drive to better serve the real economy.

## SECTION IV REPORT OF THE BOARD

### 3) *Institutional Securities Services*

The institutional securities business segment comprises investment banking, sales and trading, private placement, investment research and proprietary trading business. In the first half of 2018, such business segment realized revenue of RMB600 million, representing 9% of the total revenue.

#### (1) *Investment banking*

##### **Market environment**

Since 2018, the investment banking industry remained in the doldrums, with various traditional investment banking businesses sliding into downturn. The pace of IPO approvals slowed down; the refinancing scale dipped to a low point; and the number and pass rate of mergers & acquisitions approved by the CSRC declined for two consecutive years. As of the end of June, the total amount of proceeds raised from equity financing in the A-share market was RMB660.5 billion, decreased by 21% year on year; the proceeds raised from IPOs totaled RMB92.3 billion, decreased by 26% year on year; the number of IPOs was 71, representing a year-on-year decrease of 72%; the refinancing proceeds amounted to RMB367.8 billion, decreased by 45% year on year.

In the first half of 2018, due to a series of macroeconomic policies such as those on financial market deleveraging and new regulations on asset management, the market remained under stress. Because of the prudent monetary policy, the volume of bond underwriting business of securities firms amounted to RMB3.28 trillion, representing a year-on-year increase of 9.63%. There was polarization in the market where the issuance of high-rated credit bonds proceeded smoothly with stable prices while the market witnessed difficulty in issuance, high coupon rates and even frequent cancellation of issuance, of low-rated bonds.

In the first half of 2018, the NEEQ listing market showed a downturn, resulting in a declining number of newly listed companies. The number of companies newly listed through recommendation decreased significantly, and the number of delisted companies continuously increased. NEEQ market-making business continued to decline with decreasing liquidity, manifesting a sluggish financing environment.

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

As for the development of its investment banking business, the Company shifted to standardized and fine management, optimized its multi-level project structure, and increased its project pipeline. The Company focused on key areas and gradually developed its competitive advantages by expanding with ripple effect; built up an investment banking ecosystem and interacted closely with investment institutions; gathered the strengths within the Company to develop comprehensive financial services for large clients; strengthened the refined management of investment banking system to improve team efficiency, and implemented internal control guidelines to optimize the management system.



## SECTION IV REPORT OF THE BOARD

In the first half of 2018, the number of bond underwriting projects completed by the Company more than doubled to 165, representing a year-on year increase of 80; the total bond underwriting amount was RMB82.955 billion, representing a market share of 4.15% and ranking 7th in the market. In particular, the contribution of asset-backed securitization (ABS) business increased substantially. As of the end of June, the Company completed a total of 70 ABS projects with a total underwriting amount of RMB32.285 billion, ranking 6th in the market.

In the first half of 2018, the Company completed one joint preferred stock underwriting project, and completed four M&A projects that should be approved by the relevant stock exchanges. As at the end of June, the Company had 11 IPO projects pending for approval, ranking 8th in the industry; one approved M&A project pending for closing and four M&A projects pending for approval by the CSRC and the relevant stock exchanges; three approved refinancing projects pending for issuance and three refinancing projects pending for approval.

As of the end of June, the Company had recommended a total of 261 companies to go listed on the NEEQ as the lead sponsor, ranking 14th in the industry. There were six companies whose shares are newly quoted on the NEEQ with the Company's recommendation, representing a total financing size of RMB639 million. As of the end of June, the Company provided market-making and quotation services for 86 NEEQ-quoted companies, 42 of which entered the Innovative Board.

### **Outlook for the second half of 2018**

In the second half of 2018, the Company will continue to strengthen its high-quality project pipeline, leverage the investment banking ecosystem to expand channels and build brand image, and improve the overall operational efficiency of the investment banking system.

While strengthening the coordination and synergy within Everbright Group, the Company will continue to vigorously develop bond financing business including securitized products and corporate bonds, and draw on its competitive strengths in bond underwriting to adjust its underwriting business structure with a focus on developing and promoting high-rated credit bond projects. The Company will create business innovations and develop innovative product offerings such as green bonds and poverty alleviation bonds; strengthen the follow-up management of bond projects yet to reach maturity and monitor the redemption process of matured bonds to effectively prevent credit default risk.

## SECTION IV REPORT OF THE BOARD

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

### (2) *Sales and trading*

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

The Company continued to improve its institutional customer service system and promote the implementation of its major customer strategy. On the basis of customer grading, the Company strengthened the services to key large and medium-sized customers, thereby increasing the income from commission sale of mutual funds and the market share in this regard more rapidly. The Company laid emphasis on the analysis of investment research data, established a remote service coordination system, attempted to introduce personalized products and services, and promoted the development of international business. In the first half of 2018, the Company's market share of net income from trading seat commission increased from 3.73% at the end of 2017 to 3.92%; the market share of trading volume of institutional securities business increased from 3.18% at the end of 2017 to 3.34%.

#### **Outlook for the second half of 2018**

The Company will continue to strengthen marketing towards key customers. In an effort to realize steady growth in business revenue, the Company will use targeted strategies and approaches to seek breakthroughs in performance improvement, such as developing personalized solutions for key customers.

### (3) *Private placement business*

#### **Market environment**

In the first half of 2018, affected by multiple factors such as "financial de-cycling", "market deleveraging" and "new regulations on asset management", the growth of the private equity asset management industry was slowing down, and the "Matthew effect" emerged among private securities investment funds with the big getting bigger.

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

In the first half of 2018, the Company consistently "putting customer needs first", and made great efforts to build a high-quality, comprehensive "one-stop prime brokerage (PB) service" system with a focus on developing unique specialized services and improving service experience.

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The Company continued to select private equity products from its PB clients in order to deliver quality asset allocation opportunities to its wealth management business segment and large institutional customers. The upgrade of the PB system's functions was successfully completed, with the PB trading service system further improved. With a focus on cooperation with large commercial banks, the Company promoted "one-stop integrated services", optimized service processes and stepped up marketing efforts. As at the end of June, the Company had partnered with a total of 725 private equity institutions, representing a year-on-year increase of 56.93%; a total of 1,666 PB products were introduced, representing a year-on-year increase of 50.63%; there were 1,249 existing PB products, representing a year-on-year increase of 46.60%; the cumulative introduction of PB products filed for approval reached RMB263.461 billion, representing a year-on-year increase of 72.29%; the size of existing PB products amounted to RMB198.927 billion, representing a year-on-year increase of 77.75%.

### **Outlook for the second half of 2018**

In the second half of 2018, the Company will continue to improve its capabilities in research and evaluation of private equity funds, and promote the establishment of an objective, fair and effective evaluation mechanism of private equity funds in the industry. Meanwhile, the Company will give full play to its professional advantages in investment research, raising seed capital, investment transactions, product design, valuation and accounting, and work with customers to explore new directions for the future development of private equity management business.

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

### **Operation measures and results**

In the first half of 2018, in the principle of objectivity, independence and professionalism, the Company held two large investor conferences, delivered investment research services across various industries and regions including joint research and surveys, investment forums and salons, and introduced multiple research teams and professionals, which effectively promoted the full industry coverage of research and research brand building. As of the end of June, the Company tracked and researched 649 A-share listed companies and 97 overseas listed companies, adding up to 746 companies, an increase of 28.4% from the end of 2017. The Company also further improved the research support system for its business lines.

### **Outlook for the second half of 2018**

In the second half of 2018, the Company's investment research business segment will focus on "developing Everbright branded research products", strengthen investment research services, continuously improve investment research quality, and enrich the product offering system with flagship products.

## SECTION IV REPORT OF THE BOARD

### (5) *Proprietary trading business*

#### **Market environment**

In the first half of 2018, due to domestic and international factors such as deleveraging and the trade war, the A-Share market suffered underperformance in an all-round manner, with the major stock indexes falling across the board. In particular, the SSE Composite Index and CSI 300 Index dropped by 13.9% and 12.9%, respectively. The turnover of the entire market shrank significantly, indicating the evident market concerns over the existing in-market capital or even reduced capital. Social financing saw a slowdown in growth in balance and the central bank lowered reserve requirement ratio twice, leading to a sharp decline in capital interest rates and bond yields. OTC options business attracted much attention from the market and the regulatory authorities and showed a trend of going up and down.

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

In the first half of 2018, for fixed-income investments, the Company actively used derivatives to conduct carry trades and risk-free arbitrage on the premise of strictly controlling credit risk. For equity investments, the Company focused on mid- and long-term allocation of core assets and optimizing the structure of portfolio based on in-depth research. As a primary market maker of 50ETF options, the Company has excellent market-making capacity and profitability and always stands at the forefront of the industry. In the first half of 2018, the Company proactively signed SAC agreements with institutions to develop commodity-based OTC options counterparties. As such, the OTC options business had initially taken shape.

#### **Outlook for the second half of 2018**

In the second half of 2018, in terms of fixed-income investments, the Company will improve its credit bond research methods, try to increase investment income, and strictly control credit risk. In terms of equity investments, the Company will continue to put efforts in the refined management and capacity building of investment research teams, and seize market opportunities to raise investment returns. In terms of OTC derivatives business, the Company will closely follow the regulatory requirements to standardize business processes for healthy development in the spirit of serving the real economy, and actively develop counterparties and sign cooperation agreements to increase the market share.

## SECTION IV REPORT OF THE BOARD

### 4) *Investment Management Business*

The investment management business includes asset management business, fund management business, private equity investment business and alternative investment business. In the first half of 2018, such business segment realized revenue of RMB1.3 billion, representing 18% of the total revenue.

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

##### **Market environment**

In the first half of 2018, with the promulgation of the new VAT policy and the formal implementation of the new regulations on asset management, the size of the asset management industry was shrinking. The scale of channel asset management of securities firms continued to shrink due to the ongoing dechanneling and deleveraging policies. Securities firms faced drastic changes in the environment and competition landscape of the asset management industry. As the existing business of securities firms and their partners is under huge pressure on restructuring and it is difficult to develop incremental business, thus pursuing transformation of business model and sustainable development has become the theme of the industry.

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

In the first half of 2018, Everbright Asset Management continued to deepen the reform of the investment research system, enhance active management capabilities, refine key products, and promote the integrated development of investment and financing while comprehensively strengthening compliance management, thus achieving a steady growth in assets under management (AUM). As at the end of June, the total AUM of Everbright Asset Management amounted to RMB287.7 billion, representing an increase of 4.85% from the beginning of year. The assets under active management reached RMB126.7 billion, representing an increase of 10.08% from the beginning of year and accounting for 44.04% of the total AUM. It completed six securitized projects as manager with an aggregate principal amount of RMB11.521 billion.

##### **Outlook for the second half of 2018**

The competition landscape of the asset management industry is under transformation. Adapting to the new market environment and upholding the spirit of finance supporting the real economy are essential for the sustainable development of the asset management business. In the second half of 2018, Everbright Asset Management will follow the regulatory requirements to reform existing products and make sound transformation planning. It will expand the active management services on the back of sharpening fundamental strengths, enhance investment management capabilities and product sales capabilities, and scale up the securitized product business.

## SECTION IV REPORT OF THE BOARD

### (2) *Fund management business*

#### **Market environment**

In the first half of 2018, the AUM of mutual funds maintained rapid growth. According to data statistics provided by Wind Info, the AUM of mutual funds amounted to RMB12.8 trillion, representing a year-on-year increase of 27%, mainly attributable to the growth in the size of the money market funds. With the formal implementation of the new regulations on asset management, the asset management industry will return to the original nature of investment, and the first-mover advantage of mutual funds in active management will become more evident. As the mutual fund sector has solid customer bases and excellent reputation, mutual fund products are expected to become a key positioning within the asset allocation of investors.

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

Everbright Pramerica continued to enhance its core competitiveness and explore a development path in line with market trends and the actual conditions of the Company, while consistently putting the interests of investors first and cherishing the value preservation and appreciation of customers' assets as the foundation for the Company's development. In the first half of 2018, Everbright Pramerica strictly complied with relevant regulations and proactively promoted the rapid development of its business lines, leading to a continuous rise in its AUM. As at the end of June, the AUM of Everbright Pramerica (inclusive of both mutual funds and designated accounts) amounted to RMB135.56 billion, representing an increase of 26% from the end of 2017; in particular, the AUM of mutual funds was RMB101.98 billion, representing an increase of 36% from the end of 2017. The AUM of mutual funds of Everbright Pramerica (excluding money market funds) ranked 23rd in the industry, up 7 places as compared with the ranking at the end of 2017.

#### **Outlook for the second half of 2018**

In the second half of 2018, under the ever-changing market environment, Everbright Pramerica will continue to strengthen the construction of investment research teams and develop an investment culture of "putting the investment returns of customers" first. It will actively adapt to market changes and provide product solutions; promote product marketing and develop new sales models; accelerate the transformation of the subsidiaries engaging in management of designated accounts and develop distinctive business.

## SECTION IV REPORT OF THE BOARD

### (3) *Private equity investment business*

#### **Market environment**

In the first half of 2018, the private equity fund sector was still facing a market environment with tightening regulation. With the formal implementation of the new regulations on asset management, securities firms will see numerous changes in the private equity fund sector such as the transformation of fund business types, better-regulated and orderly development of the industry, and increasing marketization and investment capability.

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

In the first half of 2018, Everbright Capital promoted the relevant compliance work according to regulatory requirements. For direct investment projects and existing fund business, Everbright Capital took measures to rectify such business to ensure it is in line with the regulatory requirements, strengthened post-investment management of the investment projects, and conducted effective communication with the management of the invested companies. In the first half of 2018, Everbright Capital set up two new funds. As of the end of June, there were 28 funds managed or participated by Everbright Capital with a total paid-up capital of RMB15.277 billion.

#### **Outlook for the second half of 2018**

In the second half of 2018, in the face of strict regulatory environment and external market woes, Everbright Capital will continue to enhance its risk & compliance awareness and advance the business operations of newly-established funds.

### (4) *Alternative investment business*

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

In the first half of 2018, Everbright Fortune proactively explored the development direction of alternative investment business and adjusted the relevant business layout and business model. Everbright Fortune focused on equity investment in such key areas as tourism, biomedicine, big data, communication and Internet technology.

#### **Outlook for the second half of 2018**

In the second half of 2018, Everbright Fortune will continue to focus on equity investment and strive to develop itself into a distinctive alternative investment company.

## SECTION IV REPORT OF THE BOARD

### 5) *Overseas Business*

In the first half of 2018, such business segment realized revenue of RMB800 million, representing 12% of the total revenue.

#### **Market environment**

In the first half of 2018, Hong Kong's capital market showed a steady upward trend with buoyant market trading. The Hang Seng Index broke through a 10-year high with an average daily turnover of HK\$126.6 billion, representing a year-on-year increase of 67%. During the same period, 108 companies accomplished their listing on the main board of the Hong Kong Stock Exchange, representing a year-on-year increase of 50%.

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

In the first half of 2018, Hong Kong subsidiaries adhered to the general work philosophy of seeking progress while maintaining stability, strictly guarded against and controlled risks, and actively pursued business opportunities to gradually expand its influence in the Hong Kong securities market.

As a result, the size and profits of their brokerage and wealth management business grew steadily. As at the end of June, the total value of customer assets amounted to HK\$140.6 billion; the number of customers was over 135,000, representing a year-on-year increase of 5.37%; the market share of securities turnover was 0.3940%; and the size of margin financing business reached 11.027 billion.

The investment banking business was expanding, with market share and ranking climbing steadily. The sponsorship and underwriting business continued to grow steadily. As of the end of June, the Company had completed five sponsorship projects, ranking first among the securities firms in Hong Kong with PRC background. The Company completed five underwriting projects, two compliance and financial advisory projects, and two US dollar bond underwriting projects. In addition, the Company has developed an abundant project pipeline, covering finance, technology, real estate, retail and energy sectors.

The investment management segment steadily increased its AUM and investment income with strict risk control. As of the end of June, the segment had successfully invested in 10 projects, representing a total investment amount of about HK\$2.1 billion and covering a variety of industries including electronic communication, new energy, Internet, infrastructure construction and real estate.

The fund products under the asset management business became increasingly diversified, keeping up with the trends of the capital market. As at the end of June, the 24 products under the asset management business had a total AUM of approximately HK\$4.2 billion.



## SECTION IV REPORT OF THE BOARD

In the first half of 2018, Everbright Sun Hung Kai received Baa3 long-term issuer rating and Prime-3 short-term issuer rating from Moody's for the first time, laying an important foundation for the overseas business platform to lower financing costs and consolidate capital strength.

### **Outlook for the second half of 2018**

In the second half of 2018, the Company will adapt to market trends, seize market opportunities and maximize synergy through internal coordination to promote the strategic expansion of its Hong Kong business and enhance its capabilities in overseas investment banking business, so as to better serve customers' cross-border financial needs. Specific measures include the followings: for brokerage and wealth management business, continue to attract new customers, intensify efforts to develop mainland institutional and high-net-worth clients, and expand channel resources; gradually scale up margin financing business with strict risk control; maintain the sound development of investment banking business; explore new profit growth points for investment management business; and cultivate active management capabilities for asset management business.

### **6) Other businesses**

Other businesses mainly include Internet finance business and PPP business.

#### *(1) Internet finance business*

##### **Market environment**

Nowadays, the securities market has better recognition and understanding of Fintech. The leading securities firms continue to improve their market competitiveness through investment in financial technology. On the one hand, they constantly optimize and upgrade their Internet platforms to improve customer experience. On the other hand, they keep strengthening product R&D in artificial intelligence, big data and other key areas to deliver diversified, targeted and personalized services in a timely manner with low costs and full coverage.

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

In the first half of 2018, the Company continuously optimized and upgraded the "Golden Sunshine APP", greatly improving user experience and user loyalty. According to the statistics of Analysys (易觀千帆), "Golden Sunshine APP" had 1.538 million active users in June. According to iResearch statistics, 3.05 hours were spent on "Golden Sunshine APP" per device on average in June, ranking second in the industry. In the evaluation of apps of securities firms organized by Sina, "Golden Sunshine APP" got a high score of 83.8. The Company's Internet platform has developed a full range of value-added services and products such as strategic portfolio, investment information and investment tools, thus improving the coverage and efficiency of customer service. The Company has built up a closed service loop covering marketing information push, customer screening, service delivery and data tracking, laying the groundwork for precision marketing and targeted services of various business lines and further optimizing data products and services. As a result, the power of Fintech has initially manifested.

## SECTION IV REPORT OF THE BOARD

### Outlook for the second half of 2018

In the second half of 2018, the Company will strengthen product development and operation, empower finance with technology, strengthen Fintech data services, improve precision marketing results, and gradually realize data support for each business segment. The Company will strengthen the optimization and upgrade of the Fintech product “Robo-advisor Matrix (智投魔方)”, and continuously optimize the functions of its app-based Internet platform to enhance user activeness; continue to strengthen the operation and promotion of Internet business and seek innovative business cooperation; and promote the development of value-added products and services to drive the development of a diversified income model.

### (2) PPP business

#### Market environment

In the first half of 2018, with the formal implementation of the new regulations on asset management, the difficulty in raising funds increased significantly. According to the policies issued by relevant regulatory authorities to regulate governmental indebtedness behavior and standardize capital contribution requirements on state-owned enterprise projects, the development of PPP business will become more standardized and quality-oriented, resulting in a significant reduction in incremental PPP contract value.

#### Operation measures and results

In the first half of 2018, Everbright Development kept abreast of the latest regulatory policies, carried out exchanges and cooperation with its peers, and leveraged the customer and project resources accumulated by itself and other subsidiaries of Everbright Group to explore innovative business models in combination with ABS, REITs and other standardized services amid the new regulatory environment.

### Outlook for the second half of 2018

In the second half of 2018, Everbright Development will continue to keep abreast of the latest regulatory policies and industry policies, maintain coordination and business exchanges with its peers and other subsidiaries of Everbright Group, and explore and implement business innovations in strict compliance with regulations to seek breakthroughs in business model transformation and facilitate the progress of transformation.

## SECTION IV REPORT OF THE BOARD

### 7) *Analysis of principal subsidiaries and controlled companies*

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

As of June 30, 2018, Everbright Futures had total assets, net assets and net profit amounting to RMB10.742 billion, RMB1.954 billion and RMB89.39 million, respectively.

2. Shanghai Everbright Securities Asset Management Co., Ltd., which obtained business license on April 25, 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, 2018, Everbright Asset Management had total assets, net assets and net profit amounting to RMB1.765 billion, RMB1.387 billion and RMB119.59 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 consultancy.

As of June 30, 2018, Everbright Capital had total assets, net assets and net profit amounting to RMB5.758 billion, RMB4.746 billion and RMB192.50 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, 2018, Everbright Fortune had total assets, net assets and net profit amounting to RMB3.252 billion, RMB2.115 billion and RMB49.51 million, respectively.

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

As of June 30, 2018, EBSHK had total assets, net assets and net profit (RMB equivalent) amounting to RMB28.165 billion, RMB587 million and RMB57.80 million, respectively.

## SECTION IV REPORT OF THE BOARD

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

As of June 30, 2018, Everbright Development had total assets, net assets and net profit amounting to RMB1.069 billion, RMB519 million and RMB14.93 million, respectively.

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

As of June 30, 2018, Everbright Leasing had total assets, net assets and net profit amounting to RMB6.835 billion, RMB1.188 billion and RMB36.18 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, 2018, Everbright Pramerica had total assets, net assets and net profit amounting to RMB1.186 billion, RMB941 million and RMB91.96 million, respectively.

9. Everbright Yunfu Internet Co., Ltd., established in April 2015 with a registered capital of RMB200 million, is held by the Company as to 40% equity interests. It is principally engaged in financial data processing and analysis, industrial investment and asset management.

As of June 30, 2018, Everbright Yunfu had total assets, net assets and net profit amounting to RMB2.660 billion, RMB208 million and negative RMB7.97 million, respectively.

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

As of June 30, 2018, Everbright Eascreate had total assets, net assets and net profit amounting to RMB123 million, RMB100 million and negative RMB12.78 million, respectively.

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

As of June 30, 2018, Dacheng Fund had total assets, net assets and net profit amounting to RMB3.141 billion, RMB2.280 billion and RMB139.59 million, respectively.

## SECTION IV REPORT OF THE BOARD

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

Table 1 Major revenue items

Unit: RMB'000

Item	January to June 2018		January to June 2017		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Fee and commission income	2,783,586	40%	2,682,945	43%	100,641	4%
Interest income	2,661,849	38%	2,451,966	39%	209,883	9%
Net investment gains	1,270,561	18%	820,525	13%	450,036	55%
Other income and gains	264,618	4%	323,740	5%	(59,122)	(18)%
<b>Total revenue and other income</b>	<b>6,980,614</b>		6,279,176		701,438	11%

In the first half of 2018, total revenue and other income of the Company amounted to RMB6.98 billion, representing a year-on-year increase of 11%. In particular, fee and commission income amounted to RMB2.78 billion, representing a year-on-year increase of 4%, which was mainly due an increase in the income from asset management business and underwriting and sponsorship business, and partially offset by a decrease in income from brokerage business. Interest income amounted to RMB2.66 billion, representing a year-on-year increase of 9%, which was mainly due to an increase in interest income from collateralized stock repurchase, and partially offset by a decrease in interest income from the deposits from financial institutions. Net investment gains amounted to RMB1.27 billion, representing a year-on-year increase of 55%, which was mainly due to an increase in gains from investment in financial assets. Other income and gains amounted to RMB260 million, representing a year-on-year decrease of 18%, which was mainly due to a decrease in government grants, and partially offset by an increase in foreign exchange gains.

## SECTION IV REPORT OF THE BOARD

Table 2 Major expenditure items

Unit: RMB'000

Item	January to June 2018	January to June 2017	Increase/decrease	
			Amount	Percentage
Commission and fee expenses	505,788	591,379	(85,591)	(14)%
Interest expenses	2,393,087	1,763,399	629,688	36%
Staff costs	1,600,465	1,463,219	137,246	9%
Depreciation and amortization expenses	192,382	200,424	(8,042)	(4)%
Tax and surcharges	32,366	29,705	2,661	9%
Provision of asset impairment	—	4,314	(4,314)	(100)%
Credit impairment losses	191,296	—	191,296	100%
Other expenses	726,937	638,845	88,092	14%
<b>Total</b>	<b>5,642,321</b>	4,691,285	951,036	20%

In the first half of 2018, total expenses of the Company amounted to RMB5.64 billion, representing a year-on-year increase of 20%. In particular, commission and fee expenses amounted to RMB510 million, representing a year-on-year decrease of 14%, which was mainly due to a decrease in stock and fund trading volume in brokerage business, leading to a corresponding decrease in commission and fee income. Interest expenses amounted to RMB2.39 billion, representing a year-on-year increase of 36%, which was mainly due to an increase in the scale of long-term bonds and financial assets sold under repurchase agreement. Staff costs amounted to RMB1.6 billion, representing a year-on-year increase of 9%, which was mainly due to the increased headcount of the Company. Credit impairment losses increased, which was mainly due to the provision for impairment of credit business. Other expenses amounted to RMB730 million, representing a year-on-year increase of 14%, which was mainly due to an increase in costs incurred by the implementation of fund and asset management plans.

### 3. Cash flows

In the first half of 2018, the cash and cash equivalents of the Company recorded a net decrease of RMB3.74 billion, of which:

- (1) net cash used for operating activities amounted to RMB161.7 million, mainly due to an increase in financial assets held under resale agreements and other investments.
- (2) net cash generated from investing activities amounted to RMB1.44 billion, mainly due to disposal of certain investments classified as receivables and other receivables.
- (3) net cash generated from financing activities amounted to RMB1.71 billion, mainly due to an increase in short-term debt instruments borrowed for the period.

## SECTION IV REPORT OF THE BOARD

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

Unit: RMB'000

Item	June 30, 2018		December 31, 2017		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
<b>Non-current assets</b>	<b>30,082,015</b>		29,970,001		112,014	0.37%
Property and equipment	797,224	0.38%	830,279	0.40%	(33,055)	(3.98)%
Goodwill	1,218,296	0.58%	1,199,675	0.58%	18,621	1.55%
Other intangible assets	477,023	0.23%	557,703	0.27%	(80,680)	(14.47)%
Interest in associates and joint ventures	1,346,299	0.64%	1,229,774	0.60%	116,525	9.48%
Held-to-maturity investments	-	-	378,885	0.18%	(378,885)	(100.00)%
Available-for-sale financial assets	-	-	10,435,863	5.07%	(10,435,863)	(100.00)%
Financial assets at amortized cost	8,287,478	3.93%	-	-	8,287,478	100.00%
Equity investments at fair value through other comprehensive income	5,318,207	2.52%	-	-	5,318,207	100.00%
Financial assets held under resale agreements	4,637,416	2.20%	5,530,800	2.69%	(893,384)	(16.15)%
Refundable deposits	3,995,542	1.89%	3,713,016	1.80%	282,526	7.61%
Deferred income tax assets	564,101	0.27%	503,160	0.24%	60,941	12.11%
Finance lease receivables	3,201,290	1.52%	5,092,231	2.47%	(1,890,941)	(37.13)%
Other non-current assets	239,139	0.11%	498,615	0.24%	(259,476)	(52.04)%
<b>Current assets</b>	<b>181,032,167</b>		175,894,364		5,137,803	2.92%
Accounts receivable	3,897,356	1.85%	3,113,373	1.51%	783,983	25.18%
Finance lease receivables	1,798,843	0.85%	577,613	0.28%	1,221,230	211.43%
Other receivables and prepayments	4,287,030	2.03%	4,177,813	2.03%	109,217	2.61%
Placements to other financial institutions	10,000	0.00%	-	-	10,000	100.00%
Margin accounts receivable	36,182,463	17.14%	37,708,357	18.32%	(1,525,894)	(4.05)%
Available-for-sale financial assets	-	-	27,520,440	13.37%	(27,520,440)	(100.00)%
Debt instruments at fair value through other comprehensive income	12,928,093	6.12%	-	-	12,928,093	100.00%
Financial assets held under resale agreements	17,597,603	8.34%	14,550,244	7.07%	3,047,359	20.94%
Financial assets at amortized cost	2,828,840	1.34%	-	-	2,828,840	100.00%
Financial assets at fair value through profit or loss	48,611,238	23.03%	37,446,511	18.19%	11,164,727	29.82%
Derivative financial assets	256,931	0.12%	196,874	0.10%	60,057	30.51%
Clearing settlement funds	1,802,261	0.85%	738,426	0.36%	1,063,835	144.07%
Cash held on behalf of brokerage clients	40,584,448	19.22%	40,105,816	19.48%	478,632	1.19%
Cash and bank balances	10,247,061	4.85%	9,758,897	4.74%	488,164	5.00%
<b>Total assets</b>	<b>211,114,182</b>		205,864,365		5,249,817	2.55%

## SECTION IV REPORT OF THE BOARD

Unit: RMB'000

Item	June 30, 2018		December 31, 2017		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
<b>Current liabilities</b>	<b>127,688,448</b>		121,921,439		5,767,009	4.73%
Loans and borrowings	8,928,473	5.54%	7,137,860	4.58%	1,790,613	25.09%
Short-term debt instruments issued	22,304,914	13.84%	18,491,732	11.87%	3,813,182	20.62%
Placements from other financial institutions	1,813,140	1.13%	2,993,700	1.92%	(1,180,560)	(39.43)%
Financial liabilities at fair value through profit or loss	412,515	0.26%	456,941	0.29%	(44,426)	(9.72)%
Accounts payable to brokerage clients	42,835,676	26.58%	41,060,343	26.35%	1,775,333	4.32%
Employee benefits payable	1,416,283	0.88%	2,031,053	1.30%	(614,770)	(30.27)%
Other payables and accruals	10,129,252	6.29%	9,498,470	6.09%	630,782	6.64%
Current tax liabilities	248,136	0.15%	800,644	0.51%	(552,508)	(69.01)%
Financial assets sold under repurchase agreements	24,837,235	15.41%	23,315,495	14.96%	1,521,740	6.53%
Derivative financial liabilities	662,982	0.41%	156,280	0.10%	(506,702)	324.23%
Long-term bonds due within one year	14,099,842	8.75%	15,978,921	10.25%	(1,879,079)	(11.76)%
<b>Total assets less current liabilities</b>	<b>83,425,734</b>		83,942,926		(517,192)	(0.62)%
<b>Non-current liabilities</b>	<b>33,446,126</b>		33,920,258		(474,132)	(1.40)%
Loans and borrowings	4,867,337	3.02%	5,326,106	3.42%	(458,769)	(8.61)%
Long-term bonds	25,117,071	15.59%	24,938,709	16.00%	178,362	0.72%
Deferred income tax liabilities	171,200	0.11%	47,938	0.03%	123,262	257.13%
Employee benefits payable	1,368	0.00%	2,051	0.00%	(683)	(33.30)%
Other non-current liabilities	3,289,150	2.04%	3,605,454	2.31%	(316,304)	(8.77)%
<b>Total liabilities</b>	<b>161,134,574</b>		155,841,697		5,292,877	3.40%
<b>Net assets</b>	<b>49,979,608</b>		50,022,668		(43,060)	(0.09)%

### Contingencies:

At the end of the Reporting Period, the Company's contingencies mainly included providing guarantee for its subsidiaries and contingent liabilities resulting from pending litigation and arbitration, and the impact of the above matters on the Company's financial position is immaterial.

### Non-current assets:

As of June 30, 2018, the non-current assets of the Company amounted to RMB30.1 billion, which maintained roughly the same level with that of the beginning of the year. Such increase was mainly due to the increase in financial assets held, part of which was offset by the decrease in finance lease receivables and financial assets held under resale agreements.



## SECTION IV REPORT OF THE BOARD

### *Current assets:*

As of June 30, 2018, the current assets of the Company amounted to RMB181.0 billion, representing an increase of 3% as compared with that of the beginning of the year, which was mainly due to the increase in financial assets held under resale agreements and clearing settlement funds.

### *Current liabilities:*

As of June 30, 2018, the current liabilities of the Company amounted to RMB127.7 billion, representing an increase of 5% as compared with that of the beginning of the year. Such increase was mainly due to the increase in the scale of financial assets sold under repurchase agreements and short-term debt instruments issued, part of which was offset by the decrease in placements from other financial institutions.

### *Non-current liabilities:*

As of June 30, 2018, the non-current liabilities of the Company amounted to RMB33.4 billion, representing a decrease of 1% as compared with that of the beginning of the year, which was mainly due to the decrease in loans and borrowings.

### *Borrowings and bond financing*

Unit: RMB'000

Item	June 30, 2018	December 31, 2017
Loans and borrowings	13,795,810	12,463,966
Short-term debt instruments issued	22,304,914	18,491,732
Long-term bonds	39,216,913	40,917,630
<b>Total</b>	<b>75,317,637</b>	71,873,328

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

As of June 30, 2018, the Company's gearing ratio was 70.30%. The Company's borrowings, short-term financing bill payables and debts due within one year amounted to RMB45.33 billion, and the Company's net current assets, net of the above liabilities, amounted to RMB135.7 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

### (III) Analysis of investments

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

As of June 30, 2018, the long-term equity investment of the Company amounted to RMB1.346 billion, representing an increase of RMB117 million or 9%, as compared with that of the beginning of the period.

## SECTION IV REPORT OF THE BOARD

For details, please refer to Note 22 of the consolidated financial statements.

**(1) Major equity investment**

There was no major equity investment during the Reporting Period.

**(2) Major non-equity investment**

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

**(3) Financial assets measured at fair value**

Unit: RMB Yuan

Accounting Items	Investment cost/nominal amount	Book balance as of the end of the year	Investment gains during the Reporting Period	Changes in fair value during the Reporting Period
Financial assets held for trading	48,896,975,129.88	48,611,237,932.72	(173,159,787.61)	519,010,034.55
Financial liabilities held for trading	458,060,382.30	412,515,167.11	275,336.70	(5,602,058.99)
Derivative financial instruments	33,551,869,013.18	(406,051,553.83)	233,184,216.20	44,005,348.18
Other debt investments	12,978,859,400.00	12,928,092,783.00	407,222,618.10	90,931,843.53
Other equity instrument investments	5,003,961,082.77	5,318,207,016.70	8,776,714.00	(281,709,060.45)
Total	100,889,725,008.13	66,864,001,345.70	476,299,097.39	366,636,376.82

Note: The above financial data are presented in accordance with the PRC GAAP.

**(IV) Major assets and equity sales**

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

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

As of June 30, 2018, the Group consolidated 16 structured entities, including asset management plans and partnerships. For asset management plans and partnerships that the Group acts as the manager and the general partner or investment manager respectively, the Group is of the view that it has control over certain asset management plans and partnerships after taking into account various factors including its right to make investment decisions and the exposure to variable returns, and therefore incorporates them into the scope of consolidation. As of June 30, 2018, the net assets of the above structured entities within the scope of consolidation amounted to RMB11.3 billion.

**(VI) Use of proceeds**

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

## SECTION IV REPORT OF THE BOARD

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: 59% of the proceeds were used for developing capital intermediary business, 11% of the proceeds were used for funding operations of overseas business and inorganic expansion of onshore and offshore platforms, 20% of the proceeds were used for developing wealth management business and institutional securities services businesses, and 10% of the proceeds were used for funding working capital and establishing back-office systems and other purposes.

As at June 30, 2018, 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, RMB760 million was used for funding working capital, establishing back-office systems and other general corporate purposes, and the remaining amount was RMB61 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, 2018. Based on the translation at above exchange rates, the net proceeds from the issuance of H Shares amounted to RMB7.676 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" of Section VIII "Relevant Information on Corporate Bonds".

### III. Potential risk exposure

#### (1) Market risk

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

## SECTION IV REPORT OF THE BOARD

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

### (2) Credit risk

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

In terms of securities and futures trading on behalf of clients, all transactions thereunder are settled in margin deposits pursuant to the regulatory requirements, and therefore the exposure to credit risks is small. In terms of bond investment, the Company controls the credit risk exposure by setting an investment concentration limit and a lower limit for debt investment rating, and closely monitoring the business operation and credit standing of the bond issuers. For the credit

## SECTION IV REPORT OF THE BOARD

business, the Company manages and controls credit risks through providing risk education, credit investigation, credit extension, mark-to-market measures, risk alert, forced liquidation and judicial recourse for 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 of the counterparties and adopts mark-to-market measures, collaterals supplement and disposal of collaterals to control the credit risk exposure of the counterparties.

### (3) Operational risk

Operational risk exposure of the Company refers to potential losses arising from defective internal procedures, human resources, IT systems and external events.

The Company has formulated administrative measures for operational risk, specified the governance structure of operational risk and strengthened the responsibilities and duties for managing each defense line of operational risk. It continues to strengthen the business process management and IT system construction, reinforce the accountability system and reduce the possibility of operational risk. In addition, the Company has promoted the construction and operation of tools for managing operational risks and improved the operational risk event reporting and loss data collection mechanism, which has further enhanced the Company's operational risk management capabilities. It 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 other payment obligations and satisfy the capital requirements for normal business operations.

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

The planning and finance department is authorized by the Company to take charge of overall liquidity risk management, coordinate the sources of proceeds and financing management of the Company, make arrangements to satisfy the capital requirements, and manage cash flows. Meanwhile, the risk management department of the Company is responsible for monitoring liquidity risks and implementation of the limitation system.

## SECTION IV REPORT OF THE BOARD

During the Reporting Period, the Company proactively extended and continuously optimized the fundraising and financing channels, satisfied its capital requirements in a reasonable manner, adjusted the limit indicators for liquidity risks in a timely manner according to the changes in market conditions, and further improved the liquidation measurement and management methods. Therefore, the overall liquidity risk of the Company is controllable and tolerable.

### (5) Information technology risk

**Business continuity risk:** The Company's principal businesses including brokerage and securities proprietary trading heavily rely on real-time processing of data via the electronic information system and storing enormous data about trading business and operating activities on electronic devices. The securities trading system involves various aspects and has a higher requirement of maintaining continuity, which may be exposed to potential information system risks arising from a series of unforeseeable events such as hardware, software and communication failures, thus affecting the Company's reputation and service quality or even leading to economic losses and legal disputes.

**Information security risk:** With the emergence and development of Internet finance as well as the ongoing expansion and extension of securities business channels, the security of the Internet business system is facing increasing challenges and cyberattacks are increasingly diverse. This situation may result in not only a malfunction of the business trading system but also economic loss to the Company or damage to its reputation.

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

During the Reporting Period, the Company implemented reforms to information technology to strengthen its support to information technology. It continuously consolidated the technical service mode with an emphasis on "front office, front-end service and full cooperation", enhanced the institutional management model and promoted the deep integration between technology and business. Adhering to the work philosophy of "prevention first, contingency plan as secondary measure, continuous improvement and pursuit of excellence", the Company continuously pushed forward adopting standard operation and maintenance management and setting up of standards, improving operation and maintenance tools, and refining and reconstructing the operation and maintenance platform and system. In order to manage and control information technology risks effectively, it reinforced operation and maintenance management by learning from the management framework of international IT service standards and strived for "offering standard services, adopting process automation, leveraging digital management and promoting intelligent

## SECTION IV REPORT OF THE BOARD

decision-making" of operation and maintenance management. In addition, the Company established a multi-layered system featuring depth and breadth to guard against the risk of cyberattacks, specific measures of which included setting up a CDN against large-scale denial-of-service attacks, launching a clean pipe service in collaboration with operators and deploying cybersecurity devices. For the construction of the Company's big data platform, it considered managing data and platform maintenance by category and by level. It also encrypted important data requiring transmission and storage on the basis of stringent access control, developed a data management system and established a solid protective system combining technical measures and security management.

### (6) Reputation risk

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

In an ongoing effort to carry out appropriate and effective reputation risk management, the Company established a standardized management system, a scientific organizational structure and a sound internal control system, and successively formulated and revised the "Management Measures of Everbright Securities Company Limited on Information Disclosure" (光大證券股份有限公司資訊發佈管理辦法), the "Management Measures of Everbright Securities Company Limited on Reputation Risk Prevention and Control and Crisis Public Relations" (光大證券股份有限公司聲譽風險防控和危機公關事務管理辦法), the "Management Measures of Everbright Securities Company Limited on Reporting of Major Incidents" (光大證券重大突發事件報告工作管理辦法), the "Management Measures of Everbright Securities Company Limited on Contingency Plans for Major Emergencies" (光大證券股份有限公司重大突發事件應急預案管理辦法) and other internal measures.

The Company has set up a media affairs management working group and an emergency response leading group to coordinate reputation risk management at the company and departmental levels. In addition, the Company has dedicated personnel in place to take charge of public opinion monitoring and the maintenance of external media relations, and has hired a consultancy firm and a law firm to assist in its reputation risk management.

The Company has realized full coverage of its subsidiaries' reputation risk prevention and control systems. All subsidiaries have established management measures for the prevention and mitigation of reputation risk in line with their own conditions.

### (7) Compliance risk

Compliance risk refers to the risk of an entity engaged in securities and fund business being subject to legal liability, regulatory measures, disciplinary action, property loss or reputation damage arising from violation of laws, regulations and rules by itself or its personnel in the ordinary course of business.

To address compliance risk, the Company has established a scientific, efficient and practical compliance management system to effectively identify, assess and manage compliance risk, thereby providing effective support and supervision for the Company's various business lines to operate in compliance with laws and regulations.

## SECTION V SIGNIFICANT EVENTS

### I. Introduction to General Meetings

Meeting	Date of meeting	Websites designated for publication of the resolutions	Date of disclosure of publishing the resolutions
2017 annual general meeting	May 15, 2018	http://www.sse.com.cn http://www.hkexnews.hk	May 16, 2018 (A Shares) May 15, 2018 (H Shares)

### II. Profit Distribution

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

According to the 2017 profit distribution proposal considered and approved at the 2017 annual general meeting of the Company convened on May 15, 2018, on the basis of a total share capital of A Shares and H Shares in issue of RMB4,610,787,639.00 as of December 31, 2017, a cash dividend of RMB2.00 per 10 shares (tax inclusive) was distributed to all holders of A Shares and H Shares, with a total cash dividend amounting to RMB922,157,527.80. Cash dividend is denominated and declared in RMB and paid to holders of A Shares in RMB and to holders of H Shares in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the PBOC five business days prior to the 2017 annual general meeting of the Company (i.e. RMB0.810332=HKD1.00). Accordingly, a cash dividend of HKD2.468124 per 10 H Shares (tax inclusive) was distributed.

The Company published relevant announcements in relation to the 2017 profit distribution proposal on the websites of the SSE, the Hong Kong Stock Exchange and the Company, and the Company's 2017 profit distribution proposal was completed in July 2018.

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

The Company had no profit distribution proposal or proposal for conversion of capital reserve fund into capital for the first half of 2018.

### III. Performance of Undertakings

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



## **SECTION V SIGNIFICANT EVENTS**

### **IV. Appointment and Dismissal of Accounting Firms**

The 4th meeting of the fifth session of the Board and the 2017 annual general meeting considered and approved the Resolution Regarding the Appointment of External Auditors for 2018 and agreed to (1) reappointing Ernst & Young Hua Ming LLP (Special General Partnership) as the PRC external auditors of the Company for the year of 2018 to provide relevant domestic audit services in accordance with the PRC GAAP; (2) reappointing Ernst & Young as the overseas external auditors of the Company for the year of 2018 to provide relevant overseas audit and review services in accordance with the IFRS; and (3) authorize the management of the Company to determine the audit fees based on the market principles and to enter into relevant agreements.

### **V. Material Litigation and Arbitration Matters**

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

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

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

## SECTION V SIGNIFICANT EVENTS

### VII. Material Related Party Transactions

The 4th meeting of the fifth session of the Board and the 2017 annual general meeting considered and approved the Proposal for Estimates of the Related Party/Connected Transactions in the Ordinary Course of Business of the Company in 2018. During the Reporting Period, the Company carried out transactions strictly within the scope of the related party/connected transactions determined in the Proposal for Estimates of the Related Party/Connected Transactions in the Ordinary Course of Business of the Company in 2018.

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

#### (I) Property leasing

Nature of transaction	Classification of transaction	Estimated amount in 2018	Actual amount during the Reporting Period
		(RMB Ten Thousand)	(RMB Ten Thousand)
Property leasing	Income from property leasing	780	166
	Expense for property leasing	5,200	958

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

Nature of transaction	Classification of transaction	Estimated amount in 2018	Actual amount during the Reporting Period
		(RMB Hundred Million)	(RMB Hundred Million)
Securities and financial products transactions	Total cash inflows from securities and financial products transactions	1,927	439
	Total cash outflows for securities and financial products transactions	2,457	231

## SECTION V SIGNIFICANT EVENTS

### (III) Securities and financial services

Nature of transaction	Classification of transaction	Estimated amount in 2018	Actual amount during the Reporting Period
		(RMB Ten Thousand)	(RMB Ten Thousand)
Securities and financial services	Income: the Company's provision of securities and financial services for the members of Everbright Group	104,860	10,591
	Expense: the Company's acceptance of securities and financial services provided by the members of Everbright Group	17,600	4,331

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

## VIII. Guarantees

Unit: RMB in 100 million

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

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

### Guarantees provided by the Company and its subsidiaries for subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period	–
Total amount of guarantees provided for subsidiaries outstanding at the end of the Reporting Period (B)	144.28

## SECTION V SIGNIFICANT EVENTS

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

Total amount of guarantees (A+B)	144.28
Proportion of the total amount of guarantees to the Company's net assets (%)	28.87%
Including:	
Guarantees provided for shareholders, de facto controller and their related parties (C)	—
Debt guarantees provided directly or indirectly for guaranteed objects with a gearing ratio of over 70% (D)	—
The guarantees whose total amount exceeds 50% of the net assets (E)	—
Total amount of the above three guarantees (C+D+E)	—
Description of guarantees outstanding that may be involved in joint and several liabilities	
Description of guarantees	

During the Reporting Period, guarantees provided by the Company mainly included the provision of net capital guarantee for Everbright Asset Management, a wholly-owned subsidiary of the Company, and the provision of a counter guarantee to the guarantor of the first tranche of offshore bonds issued by Double Charm Limited, an indirect wholly-owned subsidiary of the Company. As at June 30, 2018, the balance of the above guarantees amounted to RMB5.513 billion. Guarantees provided by controlling subsidiaries of the Company mainly included the loan guarantees and financing guarantees provided by EBSHK, a wholly-owned subsidiary of the Company, and its subsidiaries to their subsidiaries for the business development of such companies. As at June 30, 2018, the balance of the above guarantees amounted to RMB8.915 billion.

## SECTION V SIGNIFICANT EVENTS

### IX. POVERTY ALLEVIATION WORK OF LISTED COMPANIES

#### (I) Targeted Poverty Alleviation Plan

The Company earnestly followed the central government's strategic plan for poverty alleviation and fully implemented the relevant requirements of the CSRC and Everbright Group on poverty alleviation work, in an active effort to fulfill its social responsibility. The Company has a poverty alleviation leading committee to coordinate and lead its poverty alleviation work. Xue Feng, the party secretary and chairman of the Board of Directors of the Company, serves as the leader of the poverty alleviation leading committee and has visited the areas receiving one-on-one assistance from the Company many times for research and inspection. Liu Jiping, the deputy party secretary and chairman of the Supervisory Committee of the Company, is in charge of facilitating the implementation of and conducting daily poverty alleviation work. The poverty alleviation office is responsible for the daily organization and coordination of the Company's poverty alleviation work.

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

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

During the Reporting Period, the Company continued to intensify its poverty alleviation efforts by exploring new modes of assistance that are in line with the characteristics of the industry and local conditions, deepening the comprehensive, innovative modes of poverty alleviation featuring "securities +" and providing modular, multi-dimensional, group-based, differentiated and targeted poverty alleviation services, thus broadening and deepening its poverty alleviation efforts.

The Company has signed one-on-one assistance agreements featuring "One Company, One County" with 5 state-level impoverished counties including Xintian County of Hunan, making it among the front rank of industry peers having the greatest number of assistance objects. The Company actively communicated with the CSRC, the Securities Association of China, China Securities Internet System Co., Ltd. and the China Foundation for Poverty Alleviation to report the progress of its poverty alleviation efforts. It also communicated and coordinated with the 5 counties and 3 schools receiving one-on-one assistance from it.

## SECTION V SIGNIFICANT EVENTS

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

Unit: RMB0'000

Index	Amount/Status
I. General information	
Including: 1. Cash	66.036
2. Cash converted from materials	
3. Number of registered impoverished individuals who were having cast off poverty (person)	
II. Breakdown	
1. Poverty alleviation through industrial development	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input checked="" type="checkbox"/> Poverty alleviation through e-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
Including: 1.1 types of industrial development poverty alleviation projects	
1.2 Number of industrial development poverty alleviation projects	
1.3 Invested amount to industrial development poverty alleviation projects	
1.4 Number of registered impoverished individuals who were having cast off poverty (person)	
2. Poverty alleviation through shift of occupation	
Including: 2.1 Investment in vocational skills training	
2.2 Number of person for vocational skills training (person/time)	
2.3 Number of registered impoverished individuals who were employed (person)	3,000
3. Poverty alleviation through relocation	
Including: 3.1 Number of individuals employed after relocation (person)	
4. Poverty alleviation through education	
Including: 4.1 Investment in sponsoring poor students	
4.2 Number of sponsored poor students in need (person)	
4.3 Invested amount to improve the educational resources of poor areas	

## SECTION V SIGNIFICANT EVENTS

Index	Amount/Status
5. Poverty alleviation through improvement in health Including: 5.1 Healthcare resource investment in poverty-stricken regions	
6. Poverty alleviation through ecological protection  Including: 6.1 Name of projects	<input type="checkbox"/> Launching ecological protection and construction <input type="checkbox"/> Establishing compensation for the ecological protection <input type="checkbox"/> Creating ecological and public welfare positions <input type="checkbox"/> Others
6.2 Invested amount	
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)	132
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	
9. Other projects	Poverty alleviation through e-commerce ("One County, One Enterprise")
Including: 9.1 Number of projects	1
9.2 Invested amount	66.036
9.3 Number of registered impoverished individuals having cast off poverty (person)	30
9.4 Explanation on other items	Purchase of agricultural by-products
III. Awards granted (details and levels)	Zhou Guoping, a temporary officer, was awarded "Second Class Honors" (municipal level) by the Municipal Committee CPC and the Yongzhou Municipal People's Government

## SECTION V SIGNIFICANT EVENTS

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

During the Reporting Period, the Company promoted the smooth implementation of 25 poverty alleviation projects including infrastructure construction in Xintian County. The Company proactively made arrangements (on-site survey, communication, coordination, facilitation, implementation, etc.) for new poverty alleviation projects such as the Labor Incentive Program, "Securities + Futures + Insurance" Poverty Alleviation Project for Agricultural Products, Sunshine Physician Training Program, Sunshine Teacher Training Program and Everbright Loving Summer Camp.

### (V) Subsequent Targeted Poverty Alleviation Plan

The Company will actively adopt a variety of measures to help enterprises in poor areas to finance, and endeavor to provide comprehensive financing services in respect of IPOs, NEEQ, green bonds (including asset securitization products) and corporate bonds of innovative startups. The Company will continue to carry out the "One Company, One County" targeted poverty alleviation mission by promoting 25 poverty alleviation projects in Xintian County including infrastructure construction projects, consumption projects and industrial projects. Moreover, the Company will explore new poverty alleviation projects such as labor incentive programs and agricultural products-based "securities + futures + insurance" programs.

## 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 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.

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



## SECTION V SIGNIFICANT EVENTS

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

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

### **2. Review by the Audit Committee**

The Audit Committee of the Board has reviewed and confirmed the Company's Report on Review of Interim Financial Statements which is disclosed in accordance with the International Accounting Standards for the six months ended June 30, 2018, and has no objection against matters including the accounting policies and practices adopted by the Company.

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

As disclosed in the Company's H Shares prospectus dated August 8, 2016, the Company intends to spin off its Hong Kong operations, including the businesses currently operated by ESIL and SHKFGL, as well as any other new Hong Kong business that the Company may acquire, through a listing on the Hong Kong Stock Exchange that the Company expects to occur before June 1, 2018. The Company has previously applied for, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules ("PN15 Waiver"), one of the conditions being that such waiver shall continue to be effective until June 1, 2018. As of June 1, 2018, the spin-off of the Company's Hong Kong business was not completed, and therefore, PN15 Waiver ceased to be effective.

In the second half of 2016, the management of the Company started integrating the investment banking business, brokerage business and wealth management business of ESIL and SHKFGL. As of the date of this report, the integration is under progress and the management of the Company is currently reviewing and considering the appropriate reorganization structure to be implemented in connection with the proposed spin-off. The Company will make disclosure regarding the latest development of the spin-off of the Company's Hong Kong business in accordance with the applicable laws and regulations, and the Hong Kong Listing Rules. No final decision has been made by the Board as to whether and when the proposed spin-off will proceed. There is also no assurance that the Hong Kong Stock Exchange will approve the proposed spin-off.

### **4. 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.

## SECTION V SIGNIFICANT EVENTS

### XII. Other Significant Events and Subsequent Events

1. According to the Reply on Approving for the Establishment of One Branch and 21 Securities Brokerage Branches by Everbright Securities Company Limited" (Hu Zheng Jian Xu Ke [2018] No. 23) from the Shanghai Bureau of the CSRC, the Company was approved to set up new branches. As of the end of the Reporting Period, one branch company and 13 securities brokerage branches had been established. The Company now has 14 branch companies and 235 securities brokerage branches.
2. As the sponsor for the initial public offering of shares and listing of Zhejiang SF Oilless Bearing Co., Ltd. (浙江雙飛無油軸承股份有限公司), the Company failed to fully review and verify the related party relationships and related party transactions of the issuer, indicating ineffective internal control. On March 9, 2018, the CSRC issued the Decision on Issuing a Warning Letter to Everbright Securities Company Limited (Decision on Administrative Supervision Measures [2018] No. 41). In response, the Company has taken a series of measures for the internal accountability and rectification of this matter.
3. The Company's securities brokerage branch on Xianxia Road in Shanghai was well aware that the information provided by an investor was untrue and inaccurate when selling private placement products on a commission basis but did not inform the investors of the consequences, nor did it refuse to sell the products to the investor. On May 9, 2018, the Shanghai Bureau of the CSRC issued the Decision on Issuing a Warning Letter to the Securities Brokerage Branch of Everbright Securities Company Limited on Xianxia Road in Shanghai (Shanghai CSRC Decision [2018] No. 32) and the Decision on Issuing a Warning Letter to Dong Jie (Shanghai CSRC Decision [2018] No. 35). The Company has completed the rectification according to the regulatory requirements. Next, the Company will intensify compliance training and promotion among employees, strengthen the management of practitioners' practices, and carry out compliance inspections and other measures to prevent similar incidents from re-happening.
4. The Company's case against its margin financing and securities lending client surnamed Wu has been disclosed in "VII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Annual Report. The case has been accepted by the People's Court of Jing'an District. The first hearing of the case was held on June 5, 2018, and the second hearing was held on August 1, 2018.
5. On June 6, 2018, the Company filed a lawsuit with the Shanghai High People's Court requesting the court to order the Company's stock pledge client CEFC Shanghai International Group Limited (上海華信國際集團有限公司) to repay the principal, accrued interest and overdue interest of its financing in an aggregate amount of approximately RMB673.09 million and bear the litigation cost, property preservation fee and other costs of the lawsuit, and applied for property preservation. The case has been accepted by the Shanghai High People's Court and has not yet been tried.

## SECTION V SIGNIFICANT EVENTS

6. The case of Shanghai Branch of Xiamen International Bank Co., Ltd. ("Xiamen International") against Everbright Asset Management, a wholly-owned subsidiary of the Company, which triggered a counterclaim of Everbright Asset Management against Xiamen International, has been disclosed in "XIII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Interim Report. Due to the appeal of Xiamen International, the case is undergoing second-instance procedures. The Shanghai High People's Court held a hearing on May 10, 2018, and no verdict has been reached yet.
7. The case of Everbright Futures, a subsidiary of the Company, against Dajiao Niu (大角牛) and Xinhua Xin (欣華欣) (clients of Everbright Futures) has been disclosed in "VII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Annual Report. On October 26, 2017, the People's Court of Jinjiang District, Chengdu issued a Civil Ruling ([2017] Chuan 0104 Bankruptcy Application No. 8) whereby it accepted the application for bankruptcy liquidation of Chengdu Xinhua Xin Chemical Materials Co., Ltd. (成都欣華欣化工材料有限公司) by Zhiquan Sub-branch of Industrial and Commercial Bank of China. On April 28, 2018, the People's Court of Jinjiang District, Chengdu, published the Announcement ([2017] Chuan 0104 Civil Bankruptcy No. 1-1) designating AFOR LAW FIRM, SICHUAN as the bankruptcy administrator of Chengdu Xinhua Xin Chemical Materials Co., Ltd.. In May 2018, Everbright Futures received the Notice of the Bankruptcy Administrator of Chengdu Xinhua Xin Chemical Materials Co., Ltd. on Declaration of Creditor's Rights and the relevant attachments from the bankruptcy administrator of Chengdu Xinhua Xin Chemical Materials Co., Ltd.. In June 2018, Everbright Futures submitted its declaration of creditor's rights to the bankruptcy administrator of Chengdu Xinhua Xin Chemical Materials Co., Ltd.. In August 2018, the administrator examined Everbright Futures' claim against Xinhua Xin under bankruptcy and confirmed that the principal of its creditor's rights was approximately RMB41.89 million and the interest thereon was approximately RMB3.5 million.
8. The case of O:TU Investments Limited against Shanghai International Wine Exchange Co., Ltd. (上海國際酒業交易中心股份有限公司) ("SIWE") and Everbright Fortune Investment Co., Ltd. ("Everbright Fortune"), a subsidiary of the Company, has been disclosed in "VII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Annual Report. Everbright Fortune submitted evidence and supplementary evidence during the evidence collection period. Shanghai No. 2 Intermediate People's Court organized pre-trial cross-examination on June 5 and July 20, 2018. During the period, the plaintiff added the claim to confirm that the Non-domestic Collectible Wine Underwriting Agreement of Shanghai International Wine Exchange entered into between the plaintiff and defendant is invalid, and changed the compensation requesting SIWE to compensate the plaintiff for its economic loss of approximately RMB12.83 million.

## SECTION V SIGNIFICANT EVENTS

9. The case of Everbright Fortune, a subsidiary of the Company, against Wuyang Construction Group Co., Ltd. (五洋建設集團股份有限公司) ("Wuyang Construction") has been disclosed in "VII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Annual Report. On June 6, 2018, Everbright Fortune Investment Co., Ltd. submitted the Application for Compulsory Enforcement to the Shanghai no. 2 Intermediate People's Court. The preparatory work for the execution is now underway.
10. The case of Everbright Fortune, a subsidiary of the Company, against Yiwu Urban and Rural New Community Investment and Construction Group Co., Ltd. (義烏市城鄉新社區投資建設集團有限公司) ("Yiwu Construction") with Wuyang Construction as the third party has been disclosed in "VII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Annual Report. On July 9, 2018, the Yiwu People's Court ruled to dismiss the lawsuit of Everbright Fortune on the grounds that Everbright Fortune filed the suit at an inappropriate time. Everbright Fortune had filed an appeal to Jinhua Intermediate People's Court.
11. In December 2017, Everbright Fortune received a notice of responding to action from the Yiwu People's Court. The plaintiff surnamed Cheng brought a lawsuit to the court against Wuyang Construction, and Yiwu Construction (as defendants) for a dispute over the construction contract entered into among them, demanding that the two defendants pay the plaintiff a construction payment of RMB19,879,363.71 and the interest accrued thereon. Everbright Fortune was listed as the third party in the case by the plaintiff because it had acquired the creditor's rights on part of the underlying construction payment from Wuyang Construction. On June 5, 2018, the Yiwu People's Court made the first-instance judgment, ordering Wuyang Construction to pay the plaintiff a construction payment of RMB18.11 million and the interest thereon and Yiwu Construction to assume liability to the extent of RMB17.61 million of the above debt owed by it to Wuyang Construction. Meanwhile, Wuyang Construction shall refund to Cheng his performance bond of RMB2.12 million. Everbright Fortune has filed an appeal to the Jinhua Intermediate People's Court.
12. On May 24, 2018, China Everbright Securities (HK) Limited filed a bankruptcy petition against its client surnamed Li with a Hong Kong court, as Li failed to repay his debt of approximately HK\$31.71 million within the specified time limit. On July 25, 2018, the Hong Kong court initiated the hearing procedure. The hearing judge requested China Everbright Securities (HK) Limited to provide further data to the court and the trial hearing will be conducted on August 29, 2018.
13. The case of China Everbright Securities (HK) Limited against its client surnamed Man has been disclosed in "VII. Other Significant Events and Subsequent Events" of Section V "Significant Events" of the Company's 2017 Annual Report. On April 10, 2018, the court held the first hearing and requested China Everbright Securities (HK) Limited to provide further evidence.

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

### I. Particulars about Shareholders

#### (I) Total number of shareholders

As of the end of the Reporting Period, the total number of shareholders of ordinary shares was 90,274, of which 90,087 were holders of A Shares and 187 were registered holders of H shares.

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

Unit: shares

Shareholding of top ten shareholders				
Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Nature of shareholders
China Everbright Group Ltd. (中國光大集團股份公司)	0	1,159,456,183	25.15	State-owned legal person
China Everbright Limited (中國光大控股有限公司)	(92,000,000)	982,250,000	21.30	Foreign legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	18,000	703,667,400	15.26	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	25,088,544	225,928,332	4.90	Others
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited (平安大華基金 – 平安銀行 – 平安銀行股份有限公司)	0	152,718,387	3.31	Others
Orient Securities Company Limited (東方證券股份有限公司)	92,434,400	92,434,400	2.00	Others
China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份 有限公司)	0	54,978,619	1.19	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	37,568,900	0.81	Others
Beijing Haoqing Wealth Investment Management Co., Ltd. (北京昊青財富投資管理有限公司) – Haoqing Stable Value No.1 Investment Fund (昊青價值穩健1號投資基金)	23,193,939	23,193,939	0.50	Others
Beijing Haoqing Wealth Investment Management Co., Ltd. (北京昊青財富投資管理有限公司) – Haoqing Stable Value No.10 Investment Fund (昊青價值穩健10號 投資基金)	22,182,800	22,182,800	0.48	Others

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

### Shareholding of top ten shareholders without selling restrictions

Name of shareholders	Number of tradeable shares held without selling restrictions	Type
China Everbright Group Ltd. (中國光大集團股份公司)	1,159,456,183	RMB ordinary shares
China Everbright Limited (中國光大控股有限公司)	982,250,000	RMB ordinary shares
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	703,656,400	Overseas listed foreign shares
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	225,928,332	RMB ordinary shares
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited (平安大華基金 – 平安銀行 – 平安銀行股份有限公司)	152,718,387	RMB ordinary shares
Orient Securities Company Limited (東方證券股份有限公司)	92,434,400	RMB ordinary shares
China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司)	54,978,619	RMB ordinary shares
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	37,568,900	RMB ordinary shares
Beijing Haoqing Wealth Investment Management Co., Ltd. (北京昊青財富投資管理有限公司) – Haoqing Stable Value No.1 Investment Fund (昊青價值穩健1號投資基金)	23,193,939	RMB ordinary shares
Beijing Haoqing Wealth Investment Management Co., Ltd. (北京昊青財富投資管理有限公司) – Haoqing Stable Value No.10 Investment Fund (昊青價值穩健10號投資基金)	22,182,800	RMB ordinary shares

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

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

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

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

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

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

As of June 30, 2018, so far as the Directors, having made reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

No.	Name of substantial shareholder <sup>8</sup>	Type of share	Nature of interests	Number of corresponding shares of the Company held <sup>7</sup> (share)	Percentage of total issued shares of the Company <sup>7</sup> (%)	Percentage of total issued A Shares/ H Shares of the Company <sup>7</sup> (%)	Long position/ short position
1	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	A Share	Interests in controlled corporation <sup>1</sup>	37,568,900	0.81	0.96	Long position
			Interests in controlled corporation <sup>2</sup>	2,141,706,183	46.45	54.82	Long position
				<u>2,179,275,083</u>	<u>47.26</u>	<u>55.78</u>	Long position
2	Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	A Share	Beneficial owners	37,568,900	0.81	0.96	Long position
3	China Everbright Group Ltd. (中國光大集團股份公司)	A Share	Beneficial owners	1,159,456,183	25.15	29.68	Long position
		A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
				<u>2,141,706,183</u>	<u>46.45</u>	<u>54.82</u>	Long position
4	China Everbright Holdings Company Limited (中國光大集團有限公司)	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
5	Datten Investments Limited	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
6	Honorich Holdings Limited	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
7	China Everbright Limited (中國光大控股有限公司)	A Share	Beneficial owners	982,250,000	21.30	25.14	Long position
8	China Securities Finance Corporation Limited (中國證券金融股份有限公司)	A Share	Beneficial owners	225,928,332	4.90	5.78	Long position
9	China State Construction Engineering Corporation	H Share	Interests in controlled corporation <sup>4</sup>	138,812,800	3.01	19.72	Long position
10	China State Construction Engineering Corporation Limited (中國建築股份有限公司)	H Share	Interests in controlled corporation <sup>4</sup>	138,812,800	3.01	19.72	Long position

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

No.	Name of substantial shareholder <sup>8</sup>	Type of share	Nature of interests	Number of corresponding shares of the Company held <sup>7</sup> (share)	Percentage of total issued shares of the Company <sup>7</sup> (%)	Percentage of total issued A Shares/ H Shares of the Company <sup>7</sup> (%)	Long position/ short position
11	CSCEC Capital (Hong Kong) Limited	H Share	Beneficial owners	138,812,800	3.01	19.72	Long position
12	China Shipbuilding Industry Corporation (中國船舶重工集團公司)	H Share	Interests in controlled corporation <sup>5</sup>	135,675,200	2.94	19.27	Long position
13	China Shipbuilding Capital Limited (中國船舶資本有限公司)	H Share	Beneficial owners	135,675,200	2.94	19.27	Long position
14	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
15	Guangdong Hengjian Investment Holding Co., Ltd (廣東恒健投資控股有限公司)	H Share	Interests in controlled corporation <sup>6</sup>	131,344,200	2.85	18.65	Long position
16	China Life Insurance (Group) Company (中國人壽保險(集團)公司)	H Share	Beneficial owners	48,933,600	1.06	6.95	Long position

Notes:

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



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

5. China Shipbuilding Industry Corporation held 100% of the total issued share capital in China Shipbuilding Capital Limited. Accordingly, China Shipbuilding Industry Corporation is deemed to be interested in China Shipbuilding Capital Limited's interest in the Company under the SFO.
6. 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.
7. As of June 30, 2018, the total issued shares of the Company were 4,610,787,639, among which 3,906,698,839 were A Shares and 704,088,800 were H Shares.
8. Under Part XV of the SFO, disclosure of interest forms shall be submitted by shareholders of the Company upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Company, shareholders are not required to inform the Company and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial shareholders' latest shareholdings in the Company and the information on their shareholdings submitted to the Hong Kong Stock Exchange. 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, 2018, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to section 336 of the SFO.

### **(IV) Directors, Supervisors and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations**

As of June 30, 2018, Mr. Yin Lianchen, a non-executive Director of the Company, had personal interest of 26,000 shares of Everbright Limited, representing 0.00% of the total issued share capital of Everbright Limited. Everbright Limited is an associated corporation of the Company.

Save as disclosed above, as of June 30, 2018, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Long Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

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

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any above securities of the Company or its subsidiaries.

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

### I. Changes in Shareholding

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

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

Name	Position	Particulars of changes
Gao Yunlong (高雲龍)	Non-executive Director	Resignation
Ge Haijiao (葛海蛟)	Non-executive Director	Resignation
Yan Jun (閆峻)	Non-executive Director	Election
Song Bingfang (宋炳方)	Non-executive Director	Election
Zhang Limin (張立民)	Supervisor	Resignation

On April 4, 2018, the Board of Directors of the Company received the resignation letter of Mr. Gao Yunlong. Mr. Gao Yunlong resigned from his position as a non-executive Director of the Company due to the work adjustment.

On June 21, 2018, the Board of Directors of the Company received the resignation letter of Mr. Ge Haijiao. Mr. Ge Haijiao resigned from his position as a non-executive Director of the Company due to the work adjustment.

On June 22, 2018, the Company's Supervisory Committee received the resignation letter of Mr. Zhang Limin. Mr. Zhang Limin resigned from his position as a supervisor of the Company due to the work adjustment.

Mr. Yan Jun was elected as a non-executive Director of the fifth session of the Board of Directors of the Company at the first extraordinary general meeting of 2018. In accordance with the Reply of Approval on Qualification of Yan Jun as Director of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 59), Mr. Yan Jun's appointment took effect on August 9, 2018.

Mr. Song Bingfang was elected as a non-executive Director of the fifth session of the Board of Directors of the Company at the first extraordinary general meeting of 2018. In accordance with the Reply of Approval on Qualification of Song Bingfang as Director of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 64), Mr. Song Bingfang's appointment took effect on August 13, 2018.

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

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

Mr. Xue Feng (薛峰) (Chairman, Executive Director)

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

Mr. Yan Jun (閆峻) (Non-executive Director)

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

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

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

Mr. Xue Keping (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)

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

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

In June 2018, Mr. Xue Keqing, a non-executive Director, was appointed as the secretary to the office of the board of directors of China State Construction Engineering Corporation Limited (中國建築股份有限公司) (a company listed on the SSE, stock code: 601668).

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

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

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

### **V. EMPLOYEES AND REMUNERATION POLICY**

As at the end of the Reporting Period, the Group had 8,978 employees (including 2,916 brokers), among which, the parent company had 7,040 employees and wholly-owned and holding subsidiaries had 1,938 employees.

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

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

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

According to the relevant regulations, the premiums and welfare benefit contributions borne by the 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 developing and implementing annual training plans according to the strategic and business development needs, in consideration of the characteristics of employee career development. It has proactively built a talent pool and commenced hierarchical and phased selection and cultivation of backup officers. Innovative training means were applied to effectively stimulate the enthusiasm of staff learning. New forms such as classroom teaching, role play, sitcom and case study were adopted with focus on contents such as strategic transformation, cutting-edge hot spots, business development and leadership skills improvement, to leverage on the role of training in promoting reform, transmitting culture and teaching know-how. The Company made full use of internal and external and Internet resources to enrich staff learning opportunities and used Internet, WeChat, video and other forms to carry out online training to form a useful supplement to offline training.

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

### I. Overview of Corporate Bonds

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds (RMB in billion)	Interest rate (%)	Principal and interest payment method	Places of transaction
1605 EBS Non-public Offering Corporate Bonds (Type 1)	16 EVERBRIGHT SECURITIES 05	145071	October 24, 2016	October 24, 2018	10	3.13	Payment of interest on a yearly basis	SSE
1606 EBS Non-public Offering Corporate Bonds (Type 2)	16 EVERBRIGHT SECURITIES 06	145072	October 24, 2016	October 24, 2019	30	3.2	Payment of interest on a yearly basis	SSE
1703 EBS Non-public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES 03	145336	February 14, 2017	February 14, 2019	20	4.3	Payment of interest on a yearly basis	SSE
1704 EBS Non-public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES 04	145337	February 14, 2017	February 14, 2020	20	4.45	Payment of interest on a yearly basis	SSE
1705 EBS Non-public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES 05	145506	April 26, 2017	April 26, 2019	30	4.95	Payment of interest on a yearly basis	SSE
1706 EBS Non-public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES 06	145507	April 26, 2017	April 26, 2020	40	5	Payment of interest on a yearly basis	SSE
17G1 EBS Public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES G1	143154	July 4, 2017	July 4, 2020	30	4.58	Payment of interest on a yearly basis	SSE
17G2 EBS Public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES G2	143155	July 4, 2017	July 4, 2022	15	4.7	Payment of interest on a yearly basis	SSE
17D1 EBS Non-public Securities Offering Short-term Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES D1	145802	September 20, 2017	September 20, 2018	30	4.88	Payment of principal and interest outright	SSE
17G3 EBS Public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES G3	143325	October 13, 2017	October 16, 2020	41	4.8	Payment of interest on a yearly basis	SSE
17G4 EBS Public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES G4	143326	October 13, 2017	October 16, 2022	16	4.9	Payment of interest on a yearly basis	SSE
17D2 EBS Non-public Securities Offering Short-term Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES D2	145745	November 16, 2017	November 16, 2018	22	5.15	Payment of principal and interest outright	SSE
1707 EBS Non-public Offering Corporate Bonds	17 EVERBRIGHT SECURITIES 07	150015	December 6, 2017	December 6, 2018	30	5.5	Payment of principal and interest outright	SSE
1801 EBS Non-public Offering Corporate Bonds (Type 1)	18 EVERBRIGHT SECURITIES 01	150093	January 18, 2018	January 18, 2019	20	5.45	Payment of principal and interest outright	SSE
1802 EBS Non-public Offering Corporate Bonds (Type 2)	18 EVERBRIGHT SECURITIES 02	150094	January 18, 2018	January 18, 2020	20	5.55	Payment of interest on a yearly basis	SSE

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds (RMB in billion)	Interest rate (%)	Principal and interest payment method	Places of transaction
18D1 EBS Non-public Securities Offering Short-term Corporate Bonds (Type 1)	18 EVERBRIGHT SECURITIES D1	150189	March 19, 2018	March 19, 2019	8	5.22	Payment of principal and interest outright	SSE
18G1 EBS Public Offering Corporate Bonds (Type 1)	18 EVERBRIGHT SECURITIES G1	143575	April 18, 2018	April 18, 2020	27	4.68	Payment of interest on a yearly basis	SSE
18G2 EBS Public Offering Corporate Bonds (Type 2)	18 EVERBRIGHT SECURITIES G2	143576	April 18, 2018	April 18, 2021	33	4.78	Payment of interest on a yearly basis	SSE
1803 EBS Non-public Offering Corporate Bonds (Type 1)	18 EVERBRIGHT SECURITIES 03	150382	May 7, 2018	May 7, 2019	60	4.79	Payment of principal and interest outright	SSE
1805 EBS Non-public Offering Corporate Bonds (Type 1)	18 EVERBRIGHT SECURITIES 05	150584	July 30, 2018	July 30, 2020	10	4.55	Payment of interest on a yearly basis	SSE
1806 EBS Non-public Offering Corporate Bonds (Type 2)	18 EVERBRIGHT SECURITIES 06	150585	July 30, 2018	July 30, 2021	40	4.67	Payment of interest on a yearly basis	SSE

In the first half of 2018, the interest on the bonds issued by the Company with different maturities was paid on time. Of these bonds, the principal and interest on 15 EVERBRIGHT 04, which provided the issuer with the option for early redemption right at the end of the third year, were paid on April 27, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2018-017 for details. The principal and interest on 17 EVERBRIGHT SECURITIES 02 were paid on July 11, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2018-032 for details.

An overseas subsidiary of the Company issued overseas bonds of US\$450 million in August 2015 and paid the principal and interest in August 2018. Please refer to Announcements No. 2015-062 and No. 2018-42 published by the Company on the SSE for details.

17 EVERBRIGHT SECURITIES G1, 17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3, 17 EVERBRIGHT SECURITIES G4, 18 EVERBRIGHT SECURITIES G1 and 18 EVERBRIGHT SECURITIES G2 are targeted at accredited investors for public offering. The remaining bonds for each tranche are targeted at qualified investors for non-public offering.

The Company publicly issued commercial papers to qualified institutional investors in the interbank market on August 15, 2018. Please refer to the Company's announcement No. 2018-040 for details.



## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

Phase 1 of the asset-backed special project for China Investment Securities-Everbright Securities stock-pledged creditor's rights (the "Stock-pledged ABS Special Project") was established on August 25, 2017 with the Company being a specific original equity holder. The Stock-pledged ABS Special Project was issued by means of non-public offering. Phase 1 of the asset-backed special project for China CIC Securities-Everbright Securities Margin Accounts Creditor's Rights for 2018 (the "Two-Margin Accounts ABS Special Project") was established on July 12, 2018 with the Company being a specific original equity holder. The Two-Margin Accounts ABS Special Project was issued by means of non-public offering.

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

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

Bond name	Code	Trustee manager	Credit rating agency
16 EVERBRIGHT SECURITIES 05	145071	Industrial Securities	No rating required for non-public offering of bonds
16 EVERBRIGHT SECURITIES 06	145072	Industrial Securities	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 03	145336	China Galaxy	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 04	145337	China Galaxy	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 05	145506	China Galaxy	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 06	145507	China Galaxy	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 07	150015	Industrial Securities	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES D1	145802	CSC Financial	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES D2	145745	CSC Financial	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES G1	143154	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G2	143155	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G3	143325	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G4	143326	Guotai Junan	China Chengxin Securities Rating Co., Ltd.

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

Bond name	Code	Trustee manager	Credit rating agency
18 EVERBRIGHT SECURITIES D1	150189	CSC Financial	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES G1	143575	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
18 EVERBRIGHT SECURITIES G2	143576	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
18 EVERBRIGHT SECURITIES 01	150093	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES 02	150094	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES 03	150382	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES 05	150584	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES 06	150585	Industrial Securities	No rating required for non-public offering of bonds

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

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

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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

#### (1) Use of proceeds

The proceeds raised from the issuance of 16 EVERBRIGHT SECURITIES 05, 16 EVERBRIGHT SECURITIES 06 and 17 EVERBRIGHT SECURITIES 02, after deducting issuance expenses and other related expenses, were all used in the replenishment of working capital of the Company.

The proceeds raised from the issuance of 17 EVERBRIGHT SECURITIES 03, 17 EVERBRIGHT SECURITIES 04, 17 EVERBRIGHT SECURITIES 05, 17 EVERBRIGHT SECURITIES 06, 17 EVERBRIGHT SECURITIES 07, 17 EVERBRIGHT SECURITIES D1, 17 EVERBRIGHT SECURITIES G1, 17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3, 17 EVERBRIGHT SECURITIES G4, 18 EVERBRIGHT SECURITIES 01, 18 EVERBRIGHT SECURITIES 02, 18 EVERBRIGHT SECURITIES D1, 18 EVERBRIGHT SECURITIES G1, 18 EVERBRIGHT SECURITIES G2, 18 EVERBRIGHT SECURITIES 03, 18 EVERBRIGHT SECURITIES 05 and 18 EVERBRIGHT SECURITIES 06, after deducting issuance expenses and other related expenses, will be used in the replenishment of working capital of the Company; or be used for adjusting the Company's debt structure and improving its financial structure.

The proceeds raised from the issuance of 17 EVERBRIGHT SECURITIES D2, after deducting issuance expenses and other related expenses, will all be used for adjusting the Company's debt structure.

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

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

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

#### (3) Operation of special accounts

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

As at June 30, 2018, the special proceeds account of the Company was under normal operation.

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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

China Chengxin Securities Rating Co., Ltd. was engaged by the Company to conduct credit rating. Pursuant to the Corporate Credit Rating Report issued by China Chengxin Securities Rating Co., Ltd. on July 20, 2018, as finalized by its credit rating committee, the credit rating of the Company was AAA.

On May 25, 2018, China Chengxin Securities Rating Co., Ltd. conducted track ratings of the credit status of the corporate bonds issued by the Company: 17 EVERBRIGHT SECURITIES G1, 17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3 and 17 EVERBRIGHT SECURITIES G4, and issued a Track Rating Report (2018) on the Corporate Bonds (First Tranche and Second Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2017 (Xin Ping Wei Han Zi [2018] Track No. 163), in which the aforesaid corporate bonds were maintained at AAA credit rating; the Company was maintained at AAA corporate credit rating; the outlook for the rating was stable. The full text of the Track Rating Report (2018) on the Corporate Bonds (First Tranche and Second Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2017 is available on the website of the SSE (<http://www.sse.com.cn>).

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

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

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

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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

Industrial Securities Co., Ltd. was engaged as the bond trustee manager of 16 EVERBRIGHT SECURITIES 05, 16 EVERBRIGHT SECURITIES 06, 17 EVERBRIGHT SECURITIES 07, 18 EVERBRIGHT SECURITIES 01, 18 EVERBRIGHT SECURITIES 02, 18 EVERBRIGHT SECURITIES 03, 18 EVERBRIGHT SECURITIES 05 and 18 EVERBRIGHT SECURITIES 06; China Galaxy Securities Co., Ltd. was engaged as the bond trustee manager of 17 EVERBRIGHT SECURITIES 03, 17 EVERBRIGHT SECURITIES 04, 17 EVERBRIGHT SECURITIES 05 and 17 EVERBRIGHT SECURITIES 06; Guotai Junan Securities Co., Ltd. was engaged as the bond trustee manager of 17 EVERBRIGHT SECURITIES G1, 17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3, 17 EVERBRIGHT SECURITIES G4, 18 EVERBRIGHT SECURITIES G1 and 18 EVERBRIGHT SECURITIES G2; and CSC Financial Co., Ltd. was engaged as the bond trustee manager of 17 EVERBRIGHT SECURITIES D1, 17 EVERBRIGHT SECURITIES D2 and 18 EVERBRIGHT SECURITIES D1. The Company entered into the respective Bond Trustee Management Agreements with the above bond trustee managers. During the Reporting Period, the bond trustee managers performed their duties according to the Bond Trustee Management Agreements. Pursuant to the Bond Trustee Management Agreements, the bonds trustee management reports for 2017 of the bonds mentioned above were disclosed on the website of the SSE (<http://www.sse.com.cn>) before June 30, 2018.

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

Main indicator	June 30, 2018	December 31, 2017	Increase/ decrease (%)
Current ratio	2.05	1.93	6.22
Quick ratio	1.04	0.88	18.18
Gearing ratio (%)	70.33%	69.67%	increased by 0.66 percentage point
	January to June 2018	January to June 2017	Increase/ decrease (%)
EBITDA interest coverage ratio	2.20	3.24	(32.10)
Interest payment ratio	116.32%	156.54%	decreased by 40.22 percentage points

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

## **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 debt income right transfer of financing business, structured notes, margin refinancing from CSFC, inter-bank borrowings, gold options, gold leasing, lendings and swaps, asset-backed plans backed by margin account debts, and commercial papers. The principle and interest of the financing instruments were all paid in a timely manner.

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

As at June 30, 2018, the total amount of banking facilities of the Company amounted to approximately RMB240 billion, among which the amount of approximately RMB50 billion were used and the remaining amount of approximately RMB190 billion were available for use.

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

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

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

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

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

### I. Relevant Information on Significant Administrative Licensing Items of the Company

Date	Document Number	Title of Document
March 6, 2018	Hu Zheng Jian Xu Ke [2018] No. 23	Reply on Approving for the Establishment of One Branch Company and 21 Securities Brokerage Branches by Everbright Securities Company Limited
May 23, 2018	Hu Zheng Jian Xu Ke [2018] No. 41	Reply on Approving for the Change of the Important Terms of the Articles of Association by Everbright Securities Company Limited

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

In 2018, 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

#### 1. 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)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
CSRC and its branch offices	<p>Qualification for proxy sales of financial products (Hu Zheng Jian Ji Gou Zi [2012] No. 547)</p> <p>Qualification for proxy sales of open-ended securities investment funds (Zheng Jian Ji Jin Zi [2004] No. 49)</p> <p>Qualification for intermediary introduction for futures (Hu Zheng Jian Ji Gou Zi [2010] No. 121)</p> <p>Integrated custody for private funds (pilot) (Letter of No Objection on Carrying Out Integrated Custody for Private Funds (Pilot) by Everbright Securities Company Limited, CSRC Ji Gou Bu Bu Han [2013] No. 21)</p> <p>Merger and acquisition businesses</p> <p>Agency for spot precious metal (including gold) contracts and proprietary trading of spot gold contracts (Letter of No Objection on Carrying Out the Businesses of Agency for Precious Metals (including Gold) Spot Contract and Proprietary Trading of Spot Gold Contract by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2015] No. 280)</p> <p>Qualification for equity securities returns swap business (Letter of No Objection on Engaging in Equity Securities Returns Swap Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2013] No. 30)</p> <p>Market making for options (Reply on Approving the Qualification of Everbright Securities Company Limited in Market Making for Stock Options, Zheng Jian Xu Ke [2015] No. 164)</p> <p>Qualification for margin financing and securities lending businesses (Zheng Jian Xu Ke [2010] No. 314)</p> <p>Securities transactions under repurchase agreements (pilot), Ji Gou Bu Bu Han [2012] No. 459)</p> <p>Qualification for entrusted investment management (Reply on Approving the Qualification of Everbright Securities Limited in Entrusted Investment Management, Zheng Jian Ji Gou Zi [2002] No. 127)</p>



## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	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)
Securities Association of China	Market maker business for inter-institution private equity products quotation and service systems (Market Maker Business for Inter-institution Private Equity Products Quotation and Service Systems, Zhong Zheng Bao Jia Han [2016] No. 170)
	Carrying out of market making business in quotation systems (pilot) (Reply on Carrying Out of Market Making Business in Quotation Systems (Pilot) by Everbright Securities, Zhong Zheng Bao Jia Han [2016] No. 22)
	Market making for options (Qualification for Lead Market Maker of SSE 50ETF Options, Shang Zheng Han [2016] No. 152)
	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)
	Underwriting of SME private placement bonds (Zhong Zheng Xie Han [2012] No. 374)
SSE	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)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
SZSE	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)
Other Institutions	Recommendation and brokerage for National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2013] No. 50)
	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)
	Qualification for commercial paper transactions of Shanghai Commercial Paper Exchange (Piao Jiao Suo [2017] No. 9)
	Qualification for underwriting of book-entry government bonds (2015-2017) (Announcement of the Ministry of Finance of the People's Republic of China, 2014 No. 93)
	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
	Settlement of options (Reply on Matters Relating to the Qualification for Settlement of Options, Zhong Guo Jie Suan Han Zi [2015] No. 28)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

### Approving Authority

### Business Qualification

	<p>Pooled settlement of and quotation for credit default swaps (Notice on Approval of Becoming a Member of the Group for Pooled Settlement of and Quotation for Credit Default Swaps)</p> <p>Refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 115)</p> <p>Margin refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 124)</p> <p>Securities lending refinancing (pilot) (Zhong Zheng Jin Han [2013] No. 45)</p> <p>Adjusting the credit limit of refinancing (Zhong Zheng Jin Han [2014] No. 278)</p> <p>License for operating foreign exchange operation for securities business (foreign currency negotiable securities underwriting, foreign currency negotiable securities brokerage and foreign currency lending) (Reply on Approving the Change of Company Name of Everbright Securities Company Limited on the Licence for Operating Foreign Exchange Operation for Securities Business, Shang Hai Hui Fu [2005] No. 72)</p> <p>Lead Underwriter for Debt Financing Instruments of Non-financial Enterprises (Announcement of National Association of Financial Market Institutional Investors, [2012] No. 19)</p>
China Securities Registration and Settlement Co., Ltd.	<p>Qualification for account opening agency</p> <p>Qualification for class A clearing participant (Zhong Guo Jie Suan Han Zi [2008] No. 12)</p> <p>Qualification for participation in multilateral net amount guarantee settlement (Zhong Guo Jie Suan Fa Zi [2014] No. 28)</p> <p>Qualification for digital certificate service agency</p> <p>Qualification for securities pledge registration agency</p> <p>Qualification for settlement of options (Zhong Guo Jie Suan Han Zi [2015] No. 28)</p> <p>Qualification for remote account opening for special institutions and products</p>

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
Interbank Market Clearing House Co., Ltd.	<p>Qualification for net settlement of bond transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Pi Zi [2015] No. 115)</p> <p>Qualification for remote account opening for special institutions and products</p> <p>General Clearing Member of the Group for Pooled Settlement of Credit Default Swaps (Bian Han [2018] No. 355)</p>

### 2. Business Qualifications of Subsidiaries

Name of Subsidiary	Business Qualification
Everbright Asset Management	<p>License for carrying out securities futures business (securities asset management) in the People's Republic of China (approved by the CSRC, approval document number: 913100005904194418)</p> <p>Qualification for entrusted asset management (issued by CSRC, Zheng Jian Ji Gou Zi [2002] No. 127)</p>
Everbright Futures and its subsidiaries	<p>Commodity futures brokerage (CSRC)</p> <p>Financial futures brokerage (CSRC Zheng Jian Qi Huo Zi [2017] No. 297)</p> <p>Qualification for IB business (CSRC Shanghai Bureau, Hu Zheng Jian Qi Huo Zi [2010] No. 74)</p> <p>Futures investment consultancy (CSRC Zheng Jian Xu Ke [2011] No. 1770)</p> <p>Asset management (CSRC Zheng Jian Xu Ke [2012] No. 1499)</p> <p>Public offering of securities and sales of investment funds (CSRC Shanghai Bureau, Hu Zheng Jian Xu Ke [2017] No. 10)</p> <p>Qualification for general clearing member of China Financial Futures Exchange (Notice on Approval of qualification for membership, Zhong Jin Suo Hui Zhun Zi [2007] No. 042)</p> <p>Stock options (Shanghai Stock Exchange Shang Zheng Han [2015] No. 168)</p>

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Name of Subsidiary	Business Qualification
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 (4 <sup>th</sup> 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 (4 <sup>th</sup> Batch))
	Qualification for private investment fund manager (equity class) (Asset Management Association of China membership number: GC2600030472)
	Qualification for member of Securities Association of China (Securities Association of China membership number: 850013)
Everbright Fortune	Member of alternative investment subsidiaries (4 <sup>th</sup> Batch of Private Investment Funds Subsidiaries and Member of Alternative Investment Subsidiaries of Securities Association of China)
	Derivatives, commodities, NEEQ listed companies and other investments approved by securities regulatory authorities (Reply of Securities Association of China on Matters Relating to Rectification and Regulation of Subsidiaries of Securities Companies, Zhong Zheng Xie Fa [2017] No. 230)
Everbright Pramerica	Licence for carrying out securities futures business in the People's Republic of China (serial number: 000000000332)
	Specific business (Reply on Approving the Carrying Out of Asset Management for Specific Clients by Everbright Pramerica Fund Management Co., Ltd., Zheng Jian Xu Ke [2008] No. 1077)
	Qualified domestic 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 (Investment Manager's Entrusted Insurance Fund Management Report by China Insurance Regulatory Commission)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Name of Subsidiary		Business Qualification	
EBSHK	Sun Hung Kai Investment Services Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Money lender's licence (the licence will expire on July 4, 2018)	(SFC AAC153)  (Licensing Office (Money Lender Licensing Section) of Hong Kong Police Force, file number: 2951)
	Sun Hung Kai (Nominees) Limited	Associated entity	(SFC AAS942)
	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 Money Service Operator	(SFC ACI995)  Hong Kong Customs and Excise Department, licence number: 12-09-00833
	SHK Online (Securities) Limited	Type 1 regulated activity – Dealing in securities	(SFC AAC483)
	Sun Hung Kai International Commodities Limited	Type 1 regulated activity – Dealing in securities Type 6 regulated activity – Advising on corporate finance	(SFC AAI430)
	SHK Fund Management Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 9 regulated activity – Asset management	(SFC AAI432)
	China Everbright Securities (HK) Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 6 regulated activity – Advising on corporate finance Type 9 regulated activity – Asset management	(SFC AAW536)
	China Everbright Forex & Futures (HK) Limited	Type 2 regulated activity – Dealing in futures contracts Type 3 regulated activity – Leveraged foreign exchange trading Type 5 regulated activity – Advising on futures contracts Type 9 regulated activity – Asset management	(SFC AEX690)
	China Everbright Research Limited	Type 4 regulated activity – Advising on securities	(SFC AEH589)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

### Name of Subsidiary Business Qualification

China Everbright Capital Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 6 regulated activity – Advising on corporate finance	(SFC ACE409)
China Everbright Securities Asset Management Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities Type 9 regulated activity – Asset management	(SFC AYE648)
Sun Hung Kai Wealth Management Limited	General insurance and long-term insurance (including investment-linked long-term insurance) Mandatory Provident Fund intermediary	(The Hong Kong Confederation of Insurance Brokers 0320) (Mandatory Provident Fund Schemes Authority IC000854)
Sun Hung Kai Insurance Consultants Limited	General insurance and long-term insurance (including investment-linked long-term insurance) Mandatory Provident Fund intermediary	(The Hong Kong Confederation of Insurance Brokers 0034) (Mandatory Provident Fund Schemes Authority IC000203)
China Everbright Wealth Management Limited	General insurance and long-term insurance (including investment-linked long-term insurance)	(The Hong Kong Confederation of Insurance Brokers 0359)
Sun Hung Kai Insurance Agency Limited	Insurance agent	(The Hong Kong Federation of Insurers 15975167)
Sun Tai Cheung Finance Company Limited	Money lender	(Licensing Office (Money Lender Licensing Section) of Hong Kong Police Force, file number: 2132)
China Everbright Securities Finance Limited	Money lender	(Licensing Office (Money Lender Licensing Section) of Hong Kong Police Force, file number: 3482)
China Everbright Property Agency Ltd	Estate agent	(Estate Agents Authority C-058024)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

### Name of Subsidiary Business Qualification

Sun Hung Kai Bullion Company Limited	99 Tael Gold Contract and HKD Kilo Gold Contract are traded with the open outcry method while 100 oz/10 oz Loco London Gold Contract, 5000 oz/500 oz Loco London Silver Contract 100 Tael 999.9 Tael Gold Contract and 15 kilo Loco Silver 1 Contract are traded electronically.	(The Chinese Gold and Silver Exchange Society, company number: 29450)
Sun Hing Bullion Company Limited	99 Tael Gold Contract and HKD Kilo Gold Contract are traded with the open outcry method while 100 Tael 999.9 Tael Gold Contract and 15 kilo Loco Silver 1 Contract are traded electronically.	(The Chinese Gold and Silver Exchange Society, company number: 391346)
Shun Loong Bullion Limited	99 Tael Gold Contract and HKD Kilo Gold Contract are traded with the open outcry method while 100 Tael 999.9 Tael Gold Contract and 15 kilo Loco Silver 1 Contract are traded electronically.	(The Chinese Gold and Silver Exchange Society, company number: 524983)



**Everbright Securities Company Limited**

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

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## INDEPENDENT REVIEW REPORT

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

We have reviewed the interim financial information set out on pages 2 to 92, which comprises the interim condensed consolidated statement of financial position of Everbright Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statement 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.


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

**Scope of Review**

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

**Conclusion**

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



Certified Public Accountants

Hong Kong  
28 August 2018

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
For the six months ended 30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	<b>Notes</b>	<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		(Unaudited)	(Unaudited)
<b>Revenue</b>			
Fee and commission income	4	2,783,586	2,682,945
Interest income	5	2,661,849	2,451,966
Net investment gains	6	1,270,561	820,525
<b>Total revenue</b>		6,715,996	5,955,436
Other income and gains	7	264,618	323,740
<b>Total revenue and other income</b>		6,980,614	6,279,176
Fee and commission expenses	8	(505,788)	(591,379)
Interest expenses	9	(2,393,087)	(1,763,399)
Staff costs	10	(1,600,465)	(1,463,219)
Depreciation and amortisation expenses	11	(192,382)	(200,424)
Business tax and surcharges		(32,366)	(29,705)
Other operating expenses	12	(726,937)	(638,845)
Provision for impairment losses	13	-	(4,314)
Credit loss expense	14	(191,296)	-
<b>Total expenses</b>		(5,642,321)	(4,691,285)
<b>Operating profit</b>		1,338,293	1,587,891
Share of profit of associates and joint ventures		35,107	49,475
<b>Profit before income tax</b>		1,373,400	1,637,366
Income tax expense	15	(332,711)	(350,692)
<b>Profit for the period</b>		1,040,689	1,286,674
Attributable to:			
Shareholders of the Company		968,792	1,237,488
Non-controlling interests		71,897	49,186
<b>Total</b>		1,040,689	1,286,674
Basic and diluted earnings per share (in Renminbi per share)	17	0.2101	0.2684

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the six months ended 30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,040,689</b>	<b>1,286,674</b>
<b>Other comprehensive income for the period</b>		
Items that to be reclassified subsequently to profit or loss:		
Net gains on debt instruments at fair value through other comprehensive income		
-Net changes in fair value	90,932	-
-Provision for ECL allowance	700	-
-Reclassified to profit or loss	(45,293)	-
Net gains on available-for-sale financial assets		
-Net change in fair value	-	586,784
-Reclassified to profit or loss	-	(176,397)
Share of other comprehensive income of associates	994	(2,333)
Exchange differences on translation of financial statements in foreign currencies	15,398	(31,735)
Income tax impact	(11,585)	(100,667)
Total items that to be reclassified subsequently to profit or loss	<b>51,146</b>	<b>275,652</b>
Items that not to be reclassified subsequently to profit or loss:		
-Revaluation losses on equity instruments at fair value through other comprehensive income	(281,709)	-
Income tax impact	70,427	-
Total items that not to be reclassified subsequently to profit or loss	<b>(211,282)</b>	<b>-</b>
<b>Total other comprehensive income for the period, net of tax</b>	<b>(160,136)</b>	<b>275,652</b>
<b>Total comprehensive income for the period</b>	<b>880,553</b>	<b>1,562,326</b>
Attributable to:		
Shareholders of the Company	803,591	1,537,342
Non-controlling interests	76,962	24,984
<b>Total</b>	<b>880,553</b>	<b>1,562,326</b>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
<b>Non-current assets</b>			
Property and equipment	18	797,224	830,279
Goodwill	19	1,218,296	1,199,675
Other intangible assets	20	477,023	557,703
Interests in associates and joint ventures	22	1,346,299	1,229,774
Held-to-maturity investments	23	-	378,885
Available-for-sale financial assets	24	-	10,435,863
Financial assets measured at amortized cost	35	8,287,478	-
Equity instruments at fair value through other comprehensive income	26	5,318,207	-
Financial assets held under resale agreements	27	4,637,416	5,530,800
Refundable deposits	28	3,995,542	3,713,016
Deferred tax assets	29(c)	564,101	503,160
Finance lease receivables	30	3,201,290	5,092,231
Other non-current assets	31	239,139	498,615
<b>Total non-current assets</b>		<b>30,082,015</b>	<b>29,970,001</b>
<b>Current assets</b>			
Accounts receivable	32	3,897,356	3,113,373
Finance lease receivables	30	1,798,843	577,613
Other receivables and prepayments	33	4,287,030	4,177,813
Placements to other financial institutions		10,000	-
Margin accounts receivable	34	36,182,463	37,708,357
Available-for-sale financial assets	24	-	27,520,440
Debt instruments at fair value through other comprehensive income	25	12,928,093	-
Financial assets held under resale agreements	27	17,597,603	14,550,244
Financial assets measured at amortized cost	35	2,828,840	-
Financial assets at fair value through profit or loss	36	48,611,238	37,446,511
Derivative financial assets	37	256,931	196,874
Clearing settlement funds	38	1,802,261	738,426
Cash held on behalf of brokerage clients	39	40,584,448	40,105,816
Cash and bank balances	40	10,247,061	9,758,897
<b>Total current assets</b>		<b>181,032,167</b>	<b>175,894,364</b>
<b>Total assets</b>		<b>211,114,182</b>	<b>205,864,365</b>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	<b>Notes</b>	<b>30 June 2018</b> (Unaudited)	<b>31 December 2017</b> (Audited)
<b>Current liabilities</b>			
Loans and borrowings	42	8,928,473	7,137,860
Short-term debt instruments	43	22,304,914	18,491,732
Placements from other financial institutions	44	1,813,140	2,993,700
Financial liabilities at fair value through profit or loss	45	412,515	456,941
Accounts payable to brokerage clients	46	42,835,676	41,060,343
Employee benefits payable	47	1,416,283	2,031,053
Other payables and accruals	48	10,129,252	9,498,470
Current tax liabilities	29(a)	248,136	800,644
Financial assets sold under repurchase agreements	49	24,837,235	23,315,495
Derivative financial liabilities	37	662,982	156,280
Long-term bonds due within one year	50	14,099,842	15,978,921
<b>Total current liabilities</b>		<b>127,688,448</b>	<b>121,921,439</b>
<b>Net current assets</b>		<b>53,343,719</b>	<b>53,972,925</b>
<b>Total assets less current liabilities</b>		<b>83,425,734</b>	<b>83,942,926</b>
<b>Non-current liabilities</b>			
Loans and borrowings	42	4,867,337	5,326,106
Long-term bonds	50	25,117,071	24,938,709
Deferred tax liabilities	29(c)	171,200	47,938
Employee benefits payable	47	1,368	2,051
Other non-current liabilities	51	3,289,150	3,605,454
<b>Total non-current liabilities</b>		<b>33,446,126</b>	<b>33,920,258</b>
<b>Net assets</b>		<b>49,979,608</b>	<b>50,022,668</b>

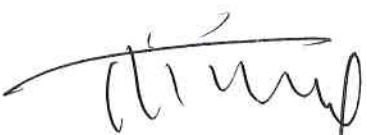
The accompanying notes form an integral part of these financial statements.


EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2018</u> (Unaudited)	<u>31 December 2017</u> (Audited)
<b>Equity</b>			
Share capital	52	4,610,788	4,610,788
Reserves	53	32,638,623	32,334,276
Retained profits	53	11,272,986	11,630,848
Total equity attributable to shareholders of the Company		48,522,397	48,575,912
Non-controlling interests		1,457,211	1,446,756
<b>Total equity</b>		<u>49,979,608</u>	<u>50,022,668</u>

Approved and authorised for issue by the Board of Directors on 28 August 2018.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the six months ended 30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital (Note 52)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 53)			
As at 31 December 2017	4,610,788	23,559,011	2,909,756	6,357,665	(229,572)	(262,584)	11,630,848	48,575,912	1,446,756	50,022,668
Impact of adopting IFRS 9	-	-	(63,227)	(128,224)	658,442	-	(384,099)	82,892	(4,548)	78,344
As at 1 January 2018	4,610,788	23,559,011	2,846,529	6,229,441	428,870	(262,584)	11,246,749	48,658,804	1,442,208	50,101,012
Profit for the period	-	-	-	-	-	-	968,792	968,792	71,897	1,040,689
Other comprehensive income	-	-	-	-	(175,533)	10,332	-	(165,201)	5,065	(160,136)
Total comprehensive income	-	-	-	-	(175,533)	10,332	968,792	803,591	76,962	880,553
Other movements in capital reserve	-	(17,840)	-	-	-	-	-	(17,840)	-	(17,840)
Other comprehensive income that have been reclassified to retained profits	-	-	-	-	2,242	-	(2,242)	-	-	-
Appropriation to general reserve	-	-	-	18,155	-	-	(18,155)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(61,959)	(984,117)
As at 30 June 2018 (unaudited)	<u>4,610,788</u>	<u>23,541,171</u>	<u>2,846,529</u>	<u>6,247,596</u>	<u>255,579</u>	<u>(252,252)</u>	<u>11,272,986</u>	<u>48,522,397</u>	<u>1,457,211</u>	<u>49,979,608</u>

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



EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)  
For the six months ended 30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital (Note 52)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 53)			
As at 1 January 2017	4,610,788	23,507,275	2,637,868	5,659,279	484,062	(210,370)	10,506,810	47,195,712	1,440,952	48,636,664
Profit for the period	-	-	-	-	-	-	1,237,488	1,237,488	49,186	1,286,674
Other comprehensive income	-	-	-	-	306,245	(6,391)	-	299,854	(24,202)	275,652
Total comprehensive income	-	-	-	-	306,245	(6,391)	1,237,488	1,537,342	24,984	1,562,326
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	(25,797)	(25,797)
Other movements in capital reserve	-	36,541	-	-	-	-	-	36,541	-	36,541
Appropriation to general reserve	-	-	-	15,061	-	-	(15,061)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(16,861)	(939,019)
As at 30 June 2017 (unaudited)	<u>4,610,788</u>	<u>23,543,816</u>	<u>2,637,868</u>	<u>5,674,340</u>	<u>790,307</u>	<u>(216,761)</u>	<u>10,807,079</u>	<u>47,847,437</u>	<u>1,423,278</u>	<u>49,270,715</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the six months ended 30 June 2018

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>Six months ended 30 June</u>	
		<u>2018</u>	<u>2017</u>
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before income tax		1,373,400	1,637,366
Adjustments for:			
Interest expenses		1,616,714	1,763,399
Share of profit of associates and joint ventures		(35,107)	(49,475)
Depreciation and amortisation expenses		192,382	200,424
Provision for impairment losses	13	-	4,314
Credit loss expense	14	191,296	-
Gain on disposal of property and equipment and other intangible assets		(167)	(170)
Foreign exchange losses		137	124,590
Dividend income from investments for investment purpose		(262,630)	-
Disposal gains, dividend income and interest income from available-for-sale financial assets		-	(416,680)
Unrealised fair value changes of financial instruments at fair value through profit or loss		(513,408)	(60,701)
Unrealised fair value changes of derivative financial instruments		(44,005)	21,737
Operating cash flows before movements in working capital		<u>2,518,612</u>	<u>3,224,804</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
For the six months ended 30 June 2018

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
<b>(continued)</b>		
<i>Changes in operating assets</i>		
(Increase)/decrease in refundable deposits	(282,526)	853,107
Decrease in margin accounts receivable	1,558,374	3,608,445
Decrease/(increase) in finance lease receivables	666,837	(944,721)
Decrease/(increase) in accounts receivable, other receivables and prepayments	952,493	(274,564)
Increase in financial assets held under resale agreements	(2,367,324)	(6,560,886)
Decrease/(increase) in financial instruments at fair value through profit or loss	3,463,680	(5,841,279)
Decrease in derivative financial instruments	490,651	818
Increase in restricted bank deposits	(34,161)	(36,095)
(Increase)/decrease in cash held on behalf of brokerage clients	(478,632)	2,742,594
(Increase)/decrease in other investments	(6,041,080)	155,371
<i>Changes in operating liabilities</i>		
Increase/(decrease) in accounts payable to brokerage clients	1,775,333	(3,698,959)
(Decrease)/increase in other payables and accruals	(447,834)	5,945,051
Decrease in employee benefits payable	(615,453)	(800,494)
Increase in financial assets sold under repurchase agreements	1,521,740	10,298,447
Decrease in placements from other financial institutions	(1,180,560)	(5,913,860)
Cash generated from operations	1,500,150	2,757,779
Income taxes paid	(793,646)	(528,957)
Interest paid for operating activities	(868,189)	(701,260)
Net cash flows (used in)/from operating activities	(161,685)	1,527,562

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
For the six months ended 30 June 2018

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

	<u>Notes</u>	<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		(Unaudited)	(Unaudited)
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property and equipment and other intangible assets		17,511	1,241
Net realized gain, dividends and interest received from financial assets at fair value through other comprehensive income and other investments for investment purpose		20,042	-
Net realized gain, dividends and interest received from available-for-sale financial assets		-	101,896
Purchases of property and equipment, other intangible assets and other non-current assets		(73,077)	(95,392)
Purchases of held-to-maturity investments		-	(233,442)
Proceeds from (purchase)/disposal of associates and joint ventures		(80,423)	693
Purchases of available-for-sale financial assets for investment purpose		-	(10,392,197)
Purchases of financial assets at fair value through other comprehensive income and other investments for investment purpose		(134,361)	-
Purchase of non-controlling interests shareholding in a subsidiary		-	(25,797)
Proceeds from disposal of investments classified as receivables and other investments		1,694,888	4,503,582
Net cash flows from/(used in) investing activities		1,444,580	(6,139,416)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term bonds		8,235,196	15,800,000
Proceeds from issuance of short-term debt instruments		14,325,999	6,439,042
Proceeds from bank loans		7,527,069	2,838,406
Long-term bonds repaid		(10,000,000)	(6,000,000)
Short-term debt instruments repaid		(10,512,817)	(7,314,980)
Bank loans repaid		(6,271,636)	(1,735,597)
Loans, bonds and debt instruments interest paid		(1,519,013)	(1,284,156)
Dividends paid		(76,534)	(30,640)
Net cash flows from financing activities		1,708,264	8,712,075
Net increase in cash and cash equivalents		2,991,159	4,100,221
Cash and cash equivalents at the beginning of the period		6,158,066	8,937,392
Effect of foreign exchange rate changes		(137)	(153,295)
Cash and cash equivalents at the end of the period	41	9,149,088	12,884,318

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

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

## 1. GENERAL INFORMATION

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

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

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

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

As at 30 June 2018, the Company’s registered capital was RMB 4,610,787,639 and the Company had a total of 4,610,787,639 issued shares of RMB1.00 each.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 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 2017.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

***Amendments to the accounting standards effective in 2018 and adopted by the Group:***

In the current interim period, the Group has adopted the following amendments to International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2017.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except as described below, the application of the new and revised IFRSs do not have significant impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented as at 30 June 2018 and for the six-month period then ended. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

***Amendments to the accounting standards effective in 2018 and adopted by the Group (continued):***

**IFRS 9 Financial Instruments** (continued)

The effect of adopting IFRS 9 is, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2018:

	Adjustments	1 January 2018
<b>Assets</b>		
Held-to-maturity investments	(a)	(378,885)
Available-for-sale financial assets	(a)	(10,435,863)
Equity instruments at fair value through other comprehensive income	(a)	5,502,479
Financial assets held under resale agreements	(b)	-
Financial assets measured at amortized cost	(a),(b)	8,348,758
Deferred tax assets	(c)	(28,843)
Other non-current assets	(a)	(317,542)
<b>Total non-current assets</b>		<b>2,690,104</b>
Margin accounts receivable	(b)	(41,057)
Available-for-sale financial assets	(a)	(27,520,440)
Debt instruments at fair value through other comprehensive income	(a),(b)	10,012,201
Financial assets held under resale agreements	(b)	(29,257)
Financial assets measured at amortized cost	(a),(b)	661,714
Financial assets at fair value through profit or loss	(a)	14,327,809
Other receivable and prepayment	(a)	(22,730)
<b>Total current assets</b>		<b>(2,611,760)</b>
<b>Total assets</b>		<b>78,344</b>
<b>Equity</b>		
Reserves	(a),(b),(c)	466,991
Retained profits	(a),(b),(c)	(384,099)
Non-controlling interests	(a),(b),(c)	(4,548)
<b>Total equity</b>		<b>78,344</b>

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

***Amendments to the accounting standards effective in 2018 and adopted by the Group (continued):***

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial assets are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category mainly includes the Group's Debt investments, Financial assets held under resale agreements, Refundable deposits, Accounts receivable, Term loan included under Other non-current assets, Other receivables and prepayments, and Margin accounts receivable.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group has irrevocably elected to be classified upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.
- Financial assets at FVPL comprise derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Upon transition the fair value reserve relating to equity and debt securities, which had been previously recognised under accumulated OCI, was reclassified to Retained profits.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.



(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

***Amendments to the accounting standards effective in 2018 and adopted by the Group (continued):***

IFRS 9 Financial Instruments (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has established a provision rate matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., margin accounts receivable, financial assets held under resale agreements, and debt instruments at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the LTECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under impairment requirement of IFRS9 into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI), as described below:

- Stage 1: When debt financial assets are initially recognised, the Group recognises an allowance based on 12-month ECLs. Stage 1 debt financial assets also include financial assets where the credit risk has improved and the financial assets have been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since initial recognition, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the LTECLs.
- POCI: POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at initial recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate (EIR). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

***Amendments to the accounting standards effective in 2018 and adopted by the Group (continued):***

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group calculates ECLs based on an estimation of different scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the debt instrument has not been previously derecognised and is still in the portfolio. When estimating PD, the Group takes historical default data, internal and external rating, and forward looking adjustment and so on.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest scheduled by contract.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received when selling the asset.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred tax assets, reserves, retained profits and non-controlling interests were adjusted as necessary.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

***Amendments to the accounting standards effective in 2018 and adopted by the Group (continued):***

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has adopted IFRS 15 from 1 January 2018 and the adoption of this amendment did not have a significant impact on the interim condensed consolidated financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the estimate used in the provision for expected credit losses.

*Provision for expected credit losses*

The Group uses a provision matrix to calculate ECLs for the following financial assets: financial assets measured at amortised cost, debt instruments at fair value through other comprehensive income, financial assets held under resale agreements, finance lease receivables, margin accounts receivables, accounts receivables and other receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of financial asset's actual default in the future.

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(All amounts expressed in RMB thousands unless otherwise specified)

4. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Income from securities brokerage and investment advisory business	1,607,120	1,637,679
Income from asset management business	609,641	557,570
Income from underwriting and sponsorship business	321,587	264,919
Income from futures brokerage business	127,397	149,045
Income from financial advisory business	106,671	73,732
Others	11,170	-
Total	<u>2,783,586</u>	<u>2,682,945</u>

The Group has adopted IFRS 15 from 1 January 2018, and fee and commission income represented the Group's revenue from contracts with customers.

5. INTEREST INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest income arising from		
- Deposit in financial institutions	799,148	905,145
- Margin financing and securities lending	1,134,449	1,100,741
- Financial assets held under resale agreements	7,060	14,712
- Securities-backed lending and stock repurchases	565,577	296,536
- Finance lease	128,807	97,360
- Others	26,808	37,472
Total	<u>2,661,849</u>	<u>2,451,966</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
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6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Net realised gains from disposal of available-for-sale financial assets	-	176,397
Dividend income and interest income from available-for-sale financial assets	-	237,349
Net realised losses from disposal of financial assets measured at amortized cost	(69)	-
Net realised gains from disposal of debt instruments at fair value through other comprehensive income	46,012	-
Dividend income and interest income from debt instruments at fair value through other comprehensive income	361,211	-
Dividend income and interest income from equity instruments at fair value through other comprehensive income	8,777	-
Net realised losses from disposal of financial instruments at fair value through profit or loss	(1,039,729)	(246,220)
Dividend income and interest income from financial instruments at fair value through profit or loss	866,845	653,361
Net realised gains/(losses) from disposal of derivative financial instruments	233,184	(39,326)
Unrealised fair value changes of financial instruments at fair value through profit or loss	513,408	60,701
Unrealised fair value changes of derivative financial instruments	44,005	(21,737)
Dividend income and interest income from financial assets measured at amortized cost	236,917	-
Total	<u>1,270,561</u>	<u>820,525</u>

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Government grants	192,281	346,630
Rental income	6,191	7,778
Income from agent business	52,116	56,355
Income from advisory business	282	12,134
Exchange losses	(137)	(124,590)
Gains on disposal of property and equipment	181	-
Others	13,704	25,433
Total	<u>264,618</u>	<u>323,740</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
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(All amounts expressed in RMB thousands unless otherwise specified)

8. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Expenses arising from		
- Securities brokerage and advisory business	429,129	452,700
- Asset management business	-	92,108
- Underwriting and sponsorship business	65,956	25,147
- Futures brokerage business	10,703	21,424
Total	<u>505,788</u>	<u>591,379</u>

9. INTEREST EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest expenses for		
- Long-term bonds	1,305,902	820,353
- Financial assets sold under repurchase agreements	512,406	259,764
- Other structured entities' holders	106,652	227,764
- Accounts payable to brokerage clients	48,101	63,901
- Loans and borrowings	177,609	201,946
- Placements from other financial institutions	84,417	79,748
- Short-term debt instruments issued	133,203	109,806
- Others	24,797	117
Total	<u>2,393,087</u>	<u>1,763,399</u>

10. STAFF COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	1,337,447	1,233,612
Contribution to pension schemes	125,605	109,213
Other social welfare	137,413	120,394
Total	<u>1,600,465</u>	<u>1,463,219</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
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(All amounts expressed in RMB thousands unless otherwise specified)

11. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	65,016	59,927
Amortisation of other intangible assets	102,094	118,384
Amortisation of leasehold improvements and long-term deferred expenses	25,272	22,113
Total	192,382	200,424

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Rental expenses and utilities	196,901	175,635
IT expenses	99,316	97,302
Funds and asset management plans distribution and custodian expenses	104,343	70,206
Business travel expenses	70,983	63,919
Promotion and entertainment expenses	68,648	66,150
Postal and communication expenses	37,466	36,013
Securities/futures investor protection funds	20,578	19,034
Stock exchanges management fees	10,616	12,728
Miscellaneous expenses	28,005	20,803
Compensation for lawsuits	55	1
Auditors' remuneration	5,011	4,521
Others	85,015	72,533
Total	726,937	638,845

13. PROVISION FOR IMPAIRMENT LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Reversal of impairment losses against other receivables	-	(401)
Provision for impairment losses against accounts receivable of finance lease	-	8,284
Reversal of impairment losses against margin accounts receivable	-	(3,569)
Total	-	4,314

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14. CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Provision of impairment losses against Debt instruments at fair value through other comprehensive income	3,233	-
Reversal of impairment losses against other receivables	(15)	-
Provision for impairment losses against accounts receivable of finance lease	2,874	-
Reversal of impairment losses against margin accounts receivable	(10,558)	-
Provision for impairment losses against financial assets held under resale agreements	184,092	-
Provision for impairment losses against Financial assets measured at amortized cost	20,228	-
Others	(8,558)	-
Total	191,296	-

15. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Current tax		
- Mainland China income tax	232,405	323,816
- Hong Kong profits tax	2,479	21,977
	234,884	345,793
Adjustment in respect of prior years		
- PRC income tax	6,254	(120,195)
Deferred tax		
Origination and reversal of temporary differences	91,573	125,094
Total	332,711	350,692

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

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



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15. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit before income tax	1,373,400	1,637,366
Notional tax calculated using PRC statutory tax rate	343,350	409,342
Tax effect of non-deductible expenses	81,880	72,055
Tax effect of non-taxable income	(103,069)	(135,024)
Effect of losses and different tax rates of subsidiaries	(6,260)	547
Tax effect of recognition of previously unrecognised temporary differences	10,974	123,967
Adjustment for prior years	6,254	(120,195)
Utilisation of tax losses previously not recognized	(675)	-
Others	257	-
Total	332,711	350,692

16. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Proposed and paid dividends	922,158	922,158

(All amounts expressed in RMB thousands unless otherwise specified)

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	
		2018	2017
		(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company		968,792	1,237,488
Weighted average number of ordinary shares in issue (thousands)	(a)	4,610,788	4,610,788
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)		0.2101	0.2684

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

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

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
Number of ordinary shares as at 1 January		4,610,788	4,610,788
Increase in weighted average number of ordinary shares		-	-
Weighted average number of ordinary shares in issue		4,610,788	4,610,788

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(All amounts expressed in RMB thousands unless otherwise specified)

18. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 31 December 2016 (Audited)	914,993	25,515	561,538	304,032	2,561	1,808,639
Additions	-	1,885	74,734	26,049	2,521	105,189
Transfers during the year	-	-	-	769	(4,415)	(3,646)
Disposals	-	(2,940)	(77,473)	(25,295)	-	(105,708)
As at 31 December 2017 (Audited)	914,993	24,460	558,799	305,555	667	1,804,474
Additions	-	343	23,105	7,697	827	31,972
Disposals and others	-	(663)	(3,155)	(8,143)	-	(11,961)
As at 30 June 2018 (Unaudited)	914,993	24,140	578,749	305,109	1,494	1,824,485
Accumulated depreciation						
As at 31 December 2016 (Audited)	(246,290)	(21,253)	(442,449)	(238,420)	-	(948,412)
Charge for the year	(23,746)	(1,774)	(81,262)	(21,743)	-	(128,525)
Disposals	-	2,521	76,495	23,726	-	102,742
As at 31 December 2017 (Audited)	(270,036)	(20,506)	(447,216)	(236,437)	-	(974,195)
Charge for the period	(11,873)	(859)	(40,832)	(11,452)	-	(65,016)
Disposals and others	-	663	3,157	8,130	-	11,950
As at 30 June 2018 (Unaudited)	(281,909)	(20,702)	(484,891)	(239,759)	-	(1,027,261)
Carrying amount						
As at 30 June 2018 (Unaudited)	633,084	3,438	93,858	65,350	1,494	797,224
As at 31 December 2017 (Audited)	644,957	3,954	111,583	69,118	667	830,279

As at 30 June 2018 and 31 December 2017, included in buildings are items with carrying amounts of RMB1,379 thousand and RMB1,415 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

(All amounts expressed in RMB thousands unless otherwise specified)

19. GOODWILL

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	101,921	79,992
Less: Provision for impairment losses	(383,212)	(383,212)
Effect of exchange rate changes for impairment provision	(4,614)	(1,306)
Carrying amount	<u>1,218,296</u>	<u>1,199,675</u>

Impairment testing on goodwill

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Futures brokerage	9,380	9,380
Wealth management, investment banking and brokerage	<u>1,596,742</u>	<u>1,574,813</u>
Total	<u>1,606,122</u>	<u>1,584,193</u>

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

The Group acquired the investment banking business and brokerage business in Hong Kong together with the relevant assets and liabilities, and the interest in Everbright Securities (International) Limited in 2011. The Group recognised the excess of fair value of the consideration over the fair value of the net identifiable assets acquired as the goodwill of the investment banking and brokerage CGU.

The Group acquired the wealth management and brokerage business in Hong Kong together with the relevant assets and liabilities, and the interest in Sun Hung Kai Financial Group Limited in 2015. The Group recognised the excess of fair value of the consideration over the fair value of the net identifiable assets acquired as the goodwill of the wealth management and brokerage CGU.

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

(All amounts expressed in RMB thousands unless otherwise specified)

19. GOODWILL (continued)

The recoverable amount of the wealth management, investment banking and brokerage CGU is based on the present value of expected future cash flows, which was determined on financial forecasts approved by management covering a six-year period and a discount rate of 19.76%, which reflected specific risks related to the CGU. The cash flows beyond the six-year budget period were extrapolated using an estimated long-term growth rate of 3%, which does not exceed the long-term average growth rate for the business in which the CGU operates.

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

20. OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
Cost			
As at 31 December 2016 (Audited)	924,444	604,561	1,529,005
Additions	-	65,242	65,242
Disposals	(60,924)	(18,112)	(79,036)
As at 31 December 2017 (Audited)	863,520	651,691	1,515,211
Additions	-	38,746	38,746
Disposals and others	(17,040)	(356)	(17,396)
As at 30 June 2018 (Unaudited)	846,480	690,081	1,536,561
Accumulated amortisation			
As at 31 December 2016 (Audited)	(296,297)	(470,848)	(767,145)
Charge for the year	(161,938)	(68,512)	(230,450)
Disposals	27,189	12,898	40,087
As at 31 December 2017 (Audited)	(431,046)	(526,462)	(957,508)
Charge for the period	(68,520)	(33,574)	(102,094)
Disposals and others	-	64	64
As at 30 June 2018 (Unaudited)	(499,566)	(559,972)	(1,059,538)
Carrying amount			
As at 30 June 2018 (Unaudited)	346,914	130,109	477,023
As at 31 December 2017 (Audited)	432,474	125,229	557,703

(All amounts expressed in RMB thousands unless otherwise specified)

## 21. INTERESTS IN STRUCTURED ENTITIES

### (a) Interests in structured entities consolidated by the Group

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

As at 30 June 2018 and 31 December 2017, the net assets of the consolidated wealth management products were RMB11,338,141 thousand and RMB10,371,035 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities were RMB5,414,079 thousand and RMB4,438,729 thousand respectively.

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

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

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

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

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

	As at 30 June 2018 (Unaudited)			Total
	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	
Funds	-	-	5,972,679	5,972,679
Wealth management products	-	4,659,174	5,559,987	10,219,161
<b>Total</b>	<b>-</b>	<b>4,659,174</b>	<b>11,532,666</b>	<b>16,191,840</b>

(All amounts expressed in RMB thousands unless otherwise specified)

21. INTERESTS IN STRUCTURED ENTITIES (continued)

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

	As at 31 December 2017 (Audited)		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	-	10,248,547	10,248,547
Wealth management products	5,691,229	4,574,557	10,265,786
Total	5,691,229	14,823,104	20,514,333

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

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

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

	As at 30 June 2018 (Unaudited)			
	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	-	-	362,321	362,321
Wealth management products	-	-	1,403,912	1,403,912
Total	-	-	1,766,233	1,766,233

	As at 31 December 2017 (Audited)		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	276,892	-	276,892
Wealth management products	686,040	236,175	922,215
Total	962,932	236,175	1,199,107

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21. INTERESTS IN STRUCTURED ENTITIES (continued)

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

As at 30 June 2018 and 31 December 2017, the net assets of these unconsolidated structured entities in which the Group acted as asset manager but did not have any interests amounted to RMB 394,976,612 thousand and RMB 301,066,876 thousand respectively.

During the six months ended 30 June 2018 and 2017, the Group recognised the income from wealth management business of RMB 609,641 thousand and RMB 557,570 thousand respectively. As at 30 June 2018 and 31 December 2017, the corresponding remuneration receivables totalled RMB 218,432 thousand and RMB 135,022 thousand respectively.

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Share of net assets	<u>1,346,299</u>	<u>1,229,774</u>



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22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2018	As at 31 December 2017	
Dacheng Fund Management Co., Ltd.* 大成基金管理有限公司	Shenzhen	RMB 200,000,000	25%	25%	Fund management
Everbright Yunfu Internet Co., Ltd.* 光大云付互联网股份有限公司	Shanghai	RMB 200,000,000	40%	40%	Financial data processing
Everbright Eascreate Internet Co., Ltd.* 光大易创网络科技股份有限公司	Shanghai	RMB 100,000,000	40%	40%	Financial data processing
Everbright Ivy Investment Management (Shanghai) Co., Ltd.* <sup>(1)</sup> 光大常春藤投资管理(上海)有限公司	Shanghai	RMB 10,000,000	51%	51%	Investment management
Everbright LeadBank Assets Management (Shanghai) Co., Ltd.* <sup>(1)</sup> 光大利得资产管理(上海)有限公司	Shanghai	RMB 2,000,000	51%	51%	Investment management
Everbright Ivy (Shanghai) Investment Center (Limited partnership)* 光大常春藤(上海)投资中心(有限合伙)	Shanghai	RMB 18,500,000,000	27.03%	27.03%	Fund management
Shanghai Everbright Sports & Culture Equity Fund (Limited partnership)* 上海光大体育文化投资合伙企业(有限合伙)	Shanghai	RMB 201,922,000	24.76%	24.76%	Fund management
Sun Hung Kai Forex Limited <sup>(1)</sup>	Hong Kong	HKD 75,166,707	51%	51%	Foreign exchange dealing
Tribridge Capital Management (Cayman) Limited	Cayman Islands	USD 1,001	20.13%	20.13%	Fund management

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22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2018	As at 31 December 2017	
Jiaxing Everbright BoPu Investment LLP (Limited Partnership)* 嘉兴光大礪璞投资合伙企业(有限合伙)	Jiaxing	RMB 100,000,000	24.90%	24.90%	Investment management
EBS Fund Management Co., Ltd.* <sup>(1)</sup> 上海光大光证股权投资基金管理有限公司	Shanghai	RMB 20,000,000	75.50%	-	Investment management
Jiaxing Everbright Meiyin Investment Management Co., Ltd.* <sup>(1)</sup> 嘉兴光大美银投资管理有限公司	Jiaxing	RMB 2,000,000	51%	51%	Investment management
Jiaxing Everbright Meiyin No. 1 Investment LLP* 嘉兴光大美银壹号投资合伙企业(有限合伙)	Jiaxing	RMB 100,000,000	25%	25%	Investment management
Shenzhen Qianhai Tunlan Investment Co., Ltd.* <sup>(1)</sup> 深圳前海光大瞰澜投资管理有限公司	Shenzhen	RMB 5,000,000	51%	51%	Investment management
Hangzhou Everbright Tunlan Investment LLP* 杭州光大瞰澜投资合伙企业(有限合伙)	Hangzhou	RMB 200,000,000	47.17%	47.17%	Investment management
Beijing Wenzhi Guangda Cultural and Creative Industries Investment Management Co., Ltd.* <sup>(1)</sup> 北京文资光大文创产业投资管理有限公司	Beijing	RMB 5,000,000	51%	51%	Investment management
Shanghai Everbright Fortune Jingsheng Investment Center (Limited Partnership)* <sup>(2)</sup> 上海光大富尊璟晟投资中心(有限合伙)	Shanghai	RMB 63,700,000	16.89%	16.89%	Investment management
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership)* <sup>(2)</sup> 上海光大富尊璟阆投资中心(有限合伙)	Shanghai	RMB 52,350,000	0.19%	0.19%	Investment management
CRECG & EB Private Equity Fund Management (Shanghai) Co. Limited* 中铁光大股权投资基金管理(上海)有限公司	Shanghai	RMB 50,000,000	50%	50%	Investment management

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22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2018	As at 31 December 2017	
Xinglu Dingtai Big Data Equity Investment Fund L.P. 星路鼎泰(桐乡)大数据产业股权投资基金合伙企业(有限合伙)	Jiaxing	RMB 200,000,000	28.52%	32%	Investment management
Beijing Everbright Wudaokou Investment Fund Management Co., Ltd <sup>*(1)</sup> 北京光大五道口投资基金管理有限公司	Beijing	RMB 10,000,000	51%	51%	Investment management
Shanghai JinXin Investment Consultancy LLP (Limited Partnership) <sup>*(2)</sup> 上海浸鑫投资咨询合伙企业(有限合伙)	Shanghai	RMB 5,203,000,000	1.15%	1.15%	Fund management
Beijing BCID-EBS Cultural & Innovation No.2 Investment Fund (Limited Partnership) <sup>*(1)</sup> 北京文资光大文创贰号投资基金管理中心(有限合伙)	Beijing	RMB 97,550,000	99.90%	99.90%	Fund management
Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd <sup>*(1)</sup> 景宁畲族自治县光大生态经济产业基金管理有限公司	Lishui	RMB 5,000,000	51%	51%	Investment management
Nanning Nantang Industry Merge & Acquisition Funds L.P. <sup>*(2)</sup> 南宁南糖产业并购基金(有限合伙)	Nanning	RMB 2,500,000,000	0.01%	0.01%	Fund management

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22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2018	As at 31 December 2017	
Jingning-Everbright ECO Investment Fund I L.P.* <sup>(2)</sup> 景宁光大生态壹号投资管理中心(有限合伙)	Lishui	RMB 55,500,000	9.01%	9.01%	Fund management
Yan'an Everbright City Development Investment Fund Management Co. Ltd* <sup>(1)</sup> 延安光大城市发展投资基金管理有限公司	Yan'an	RMB 30,000,000	70%	70%	Investment management
Jingning Everbright Zhetong No.1 Investment Fund L.P* <sup>(2)</sup> 景宁光大浙通壹号投资管理合伙企业(有限合伙)	Lishui	RMB 65,600,000	15.24%	15.24%	Fund management
Gansu Duzhe Everbright Fund Management Co., Ltd. * <sup>(1)</sup> 甘肃读者光大基金管理有限公司	Lanzhou	RMB 5,000,000	51%	51%	Fund management
Rizhao Rui Xiang Flight Training Co., Ltd. 日照锐翔飞行培训有限公司	Rizhao	RMB 46,000,000	39.13%	39.13%	Flight training
Tianjin Everbright Zhongli Investment Management Co., Ltd. 天津光证中丽投资管理有限公司	Tianjin	RMB 20,000,000	30%	30%	Investment management
Hangzhou Jingxing Investment L.P. 杭州璟星投资合伙企业(有限合伙)	Hangzhou	RMB 10,000,000	40%	40%	Investment management

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22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2018	As at 31 December 2017	
Shenzhen Zhongji-Everbright Logistics Equity Investment Fund L.P. 深圳中集光大物流股权投资基金合伙企业 (有限合伙)	Shenzhen	RMB 100,000,000	20%	-	Investment management
贵安新区光证投资管理有限公司 Gui'an New District Everbright Investment Management Co., Ltd.	Guizhou	RMB 10,000,000	30%	-	Investment management

(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

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

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

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

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

Dacheng Fund Management Co., Ltd.

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Gross amounts of the associate:		
Assets	3,141,473	3,035,967
Liabilities	(861,717)	(902,655)
Net assets	<u>2,279,756</u>	<u>2,133,312</u>
	Six months ended 30 June 2018 (Unaudited)	2017 (Audited)
Revenue	530,580	1,011,099
Profit for the period/year attributable to shareholders of the parent company	139,590	223,485
Other comprehensive income	3,978	(8,177)
Total comprehensive income	143,568	215,308
Dividend received from the associate	<u>-</u>	<u>-</u>
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	2,279,756	2,133,312
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	569,939	533,328
Other adjustment	<u>(3,424)</u>	<u>(2,705)</u>
Carrying amount in the consolidated financial statements	<u>566,515</u>	<u>530,623</u>

(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's material associates and joint ventures, reconciled to the carrying amounts in the interim condensed consolidated financial statements, disclosed below (continued):

Everbright Yunfu Internet Co., Ltd.

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Gross amounts of the associate:		
Assets	2,659,983	2,850,882
Liabilities	(2,451,851)	(2,634,803)
Net assets	208,132	216,079
	Six months ended 30 June 2018 (Unaudited)	2017 (Audited)
Revenue	304,052	453,994
(Loss)/Profit for the period/year attributable to shareholders of the parent company	(7,973)	14,700
Other comprehensive income	-	-
Total comprehensive income	(7,973)	14,700
Dividend received from the associate	-	-
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	208,132	216,079
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	83,253	86,431
Other adjustment	23	34
Carrying amount in the consolidated financial statements	83,276	86,465

(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's material associates and joint ventures, reconciled to the carrying amounts in the interim condensed consolidated financial statements, disclosed below (continued):

Everbright Eascreate Internet Co., Ltd.

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Gross amounts of the associate:		
Assets	122,623	230,094
Liabilities	(22,347)	(117,042)
Net assets	100,276	113,052
	Six months ended 30 June 2018 (Unaudited)	2017 (Audited)
Revenue	13,893	115,135
(Loss)/Profit for the period/year attributable to shareholders of the parent company	(12,776)	10,740
Other comprehensive income	-	-
Total comprehensive income	(12,776)	10,740
Dividend received from the associate	-	-
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	100,276	113,052
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	40,110	45,221
Other adjustment	7	7
Carrying amount in the consolidated financial statements	40,117	45,228



(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Aggregate amounts of the Group's share of those associates and joint ventures' net profits	8,509	5,848
Total comprehensive income	8,509	5,848
	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	656,391	567,827

23. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
Listed outside Hong Kong:		
- Debt securities	-	378,885

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24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
Equity securities	-	4,584,819
Debt securities	-	40,000
Wealth management products and others	-	5,899,904
Less: Impairment losses	-	(88,860)
Total	-	10,435,863
Analysed as:		
Listed outside Hong Kong	-	1,036,971
Listed in Hong Kong	-	477,365
Unlisted	-	8,921,527
Total	-	10,435,863
Current		
Equity securities	-	1,776,033
Debt securities	-	24,990,252
Funds	-	276,892
Wealth management products	-	477,365
Less: Impairment losses	-	(102)
Total	-	27,520,440
Analysed as:		
Listed outside Hong Kong	-	9,179,437
Unlisted	-	18,341,003
Total	-	27,520,440

As at 31 December 2017, the above wealth management products in non-current available-for-sale financial assets included the Company's contributed funds, with various PRC securities firms, to designated accounts established and managed by China Securities Finance Corporation Limited ("CSFC"). Under the relevant agreements with CSFC, the Company contributed RMB5,856.8 million in total in July and September 2015. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contributions. The investment is under unified operation and management by CSFC (see Note 26 for further details).

(All amounts expressed in RMB thousands unless otherwise specified)

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

As at 31 December 2017, the investment cost and fair value of the Company's contribution were RMB4,380.0 million and RMB4,859.9 million based on the investment account statement provided by CSFC. As at 31 December 2017, considering the nature and purpose of this investment, special investment decision-making processes and treatment mode, management is of the view that there is no objective evidence of impairment with significant or prolonged decline in fair value.

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

As at 31 December 2017, the equity securities in the available-for-sale financial assets with lock-up periods held by the Group were RMB567,841 thousand.

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

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

As at 31 December 2017, the Group entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with a total fair value of RMB1,773,870 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets. The fair value of collateral received in respect of the securities lending business is analysed in Note 34(c) together with the fair value of collateral of margin financing business.

(All amounts expressed in RMB thousands unless otherwise specified)

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Current	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt securities	12,928,093	-
Total	<u>12,928,093</u>	<u>-</u>
Analysed as:		
Listed outside Hong Kong	1,921,545	-
Unlisted	<u>11,006,548</u>	<u>-</u>
Total	<u>12,928,093</u>	<u>-</u>

As at 30 June 2018, the debt instruments at fair value through other comprehensive income which were pledged as collateral were RMB4,696,271 thousand.

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

	Six months ended 30 June 2018 (Unaudited)	2017 (Audited)
At the end of last year	-	-
Impact of adopting IFRS 9	27,838	-
Charge for the period/year	3,233	-
Others	<u>(2,533)</u>	<u>-</u>
At the end of the period/year	<u>28,538</u>	<u>-</u>

(b) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018, as at 30 June 2018, an analysis of the ending balance of the carrying amount in debt instruments at fair value through other comprehensive income is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Fair value as at 30 June 2018	<u>12,326,485</u>	<u>586,348</u>	<u>15,260</u>	<u>12,928,093</u>

(All amounts expressed in RMB thousands unless otherwise specified)

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Equity securities	359,361	-
Contribution to designated accounts at China Securities Finance Corporation Limited	4,659,174	-
Other investments	299,672	-
Total	5,318,207	-
Analysed as:		
Unlisted	5,318,207	-
Total	5,318,207	-

As at 30 June 2018, the non-current financial assets at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). Before the adoption of IFRS 9, the funds contributed to CSFC was classified as available-for-sale financial assets disclosed in Note 24. After the adoption of IFRS 9, it was classified as equity instruments at fair value through other comprehensive income since 1 January 2018. As at 30 June 2018, the cost and fair value of the Company's contribution were RMB4,380.0 million and RMB4,659.2 million based on the investment account statement provided by CSFC.

As at 30 June 2018, there was no equity securities in the equity investments at fair value through other comprehensive income with lock-up periods held by the Group.

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

The fair value of the Group's investments in equity securities without restriction is determined with reference to their quoted prices as at the end of the reporting period.

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

Non-current	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Equity securities	4,652,620	5,530,800
Less: Allowance for ECL/impairment losses	(15,204)	-
Total	4,637,416	5,530,800

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27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(a) Analysed by collateral type (continued):

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
Current		
Debt securities	1,033,820	1,450,895
Equity securities	16,761,928	13,099,349
Less: Allowance for ECL/impairment losses	(198,145)	-
Total	<u>17,597,603</u>	<u>14,550,244</u>

(b) Analysed by market:

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
Non-current		
Shenzhen Stock Exchange	3,266,740	3,273,390
Shanghai Stock Exchange	1,385,880	2,257,410
Less: Allowance for ECL/impairment losses	(15,204)	-
Total	<u>4,637,416</u>	<u>5,530,800</u>

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
Current		
Interbank market	529,646	1,109,694
Shenzhen Stock Exchange	11,936,295	11,495,400
Shanghai Stock Exchange	5,329,807	1,945,150
Less: Allowance for ECL/impairment losses	(198,145)	-
Total	<u>17,597,603</u>	<u>14,550,244</u>

(c) Analysis of the movements of allowance for ECL/impairment losses :

	Six months ended 30 June 2018	2017
	(Unaudited)	(Audited)
At the end of last year	-	-
Impact of adopting IFRS 9	29,257	-
Charge for the period/year	<u>184,092</u>	<u>-</u>
At the end of the period/year	<u>213,349</u>	<u>-</u>

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27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(d) Analyzed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018, as at 30 June 2018, an analysis of the ending balance of the carrying amount in financial assets held under resale agreements is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 30 June 2018	<u>20,269,922</u>	<u>1,479,048</u>	<u>486,049</u>	<u>22,235,019</u>

28. REFUNDABLE DEPOSITS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits with stock exchanges and clearing house		
- China Securities Depository and Clearing Corporation Limited	350,267	476,355
- The Stock Exchange of Hong Kong Limited	39,482	19,210
- Hong Kong Securities Clearing Company Limited	3,079	2,543
	<u>392,828</u>	<u>498,108</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	1,090,693	1,034,567
- Dalian Commodity Exchange	828,746	839,667
- Shanghai Futures Exchange	741,657	672,272
- Zhengzhou Commodity Exchange	713,942	494,366
- Shanghai International Energy Exchange	57,681	-
- Hong Kong Futures Exchange	7,588	7,978
	<u>3,440,307</u>	<u>3,048,850</u>
Deposits with other institutions		
- CSFC	77,276	76,555
- Shanghai Clearing House	69,155	67,426
- Securities & Futures Commission of Hong Kong	-	1,672
- Shanghai Gold Exchange	2,820	2,820
- Other institutions	13,156	17,585
	<u>162,407</u>	<u>166,058</u>
Less: Allowance for ECL/impairment losses	-	-
Total	<u>3,995,542</u>	<u>3,713,016</u>

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29. INCOME TAX

(a) Current taxation

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current tax liabilities	248,136	800,644
	Six months ended 30 June 2018 (Unaudited)	2017 (Audited)
At the beginning of the period/year	800,644	603,214
Provision for the period/year	241,138	924,759
Tax paid	(793,646)	(727,329)
At the end of the period/year	248,136	800,644



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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 ECL/ impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Available- for-sale financial assets	Financial assets at fair value through other comprehensive income	Intangible assets recognised in the acquisition	Others	Total
As at 1 January 2017 (Audited)	131,038	330,850	(24,393)	13,529	(162,004)	-	(91,254)	41,278	239,044
Recognised in profit or loss	(30,229)	(128,907)	103,663	(20,184)	-	-	29,716	20,042	(25,899)
Recognised in reserves	-	-	-	-	242,077	-	-	-	242,077
As at 31 December 2017 (Audited)	100,809	201,943	79,270	(6,655)	80,073	-	(61,538)	61,320	455,222
Impact of adopting IFRS 9	19,089	-	164,623	-	(80,073)	(132,482)	-	-	(28,843)
As at 1 January 2018	119,898	201,943	243,893	(6,655)	-	(132,482)	(61,538)	61,320	426,379
Recognised in profit or loss	23,684	(15,578)	(72,845)	(8,144)	-	-	10,111	(28,801)	(91,573)
Recognised in reserve	(175)	-	-	-	-	58,270	-	-	58,095
As at 30 June 2018 (Unaudited)	143,407	186,365	171,048	(14,799)	-	(74,212)	(51,427)	32,519	392,901

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29. INCOME TAX (continued)

(c) Reconciliation to the statements of financial position

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	564,101	503,160
Net deferred tax liabilities recognised in the consolidated statement of financial position	(171,200)	(47,938)
Total	<u>392,901</u>	<u>455,222</u>

(d) Recognised in other comprehensive income

	Six months ended 30 June 2018 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	90,932	(22,733)	68,199
- Provision for impairment losses	700	(175)	525
- Reclassified to profit or loss	(45,293)	11,323	(33,970)
Equity instruments at fair value through other comprehensive income			
- Net changes in fair value	(281,709)	70,427	(211,282)
Share of other comprehensive income of associates	994	-	994
Exchange differences on translation of financial statements in foreign currencies	15,398	-	15,398
Total	<u>(218,978)</u>	<u>58,842</u>	<u>(160,136)</u>
	Year ended 31 December 2017 (Audited)		
	Before tax	Tax benefit	Net of tax
Available-for-sale financial assets			
- Net changes in fair value	55,226	(11,050)	44,176
- Reclassified to profit or loss	(1,012,509)	253,127	(759,382)
Share of other comprehensive income of associates	3,554	-	3,554
Exchange differences on translation of financial statements in foreign currencies	(111,028)	-	(111,028)
Total	<u>(1,064,757)</u>	<u>242,077</u>	<u>(822,680)</u>

(e) Deferred tax assets not recognised

As at 30 June 2018 and 31 December 2017, the Group has not recognised deferred tax assets in respect of cumulative tax losses, allowance for ECL/impairment losses, impairment losses against margin accounts and impairment losses against goodwill with timing difference amounting to RMB178,703 thousand and RMB427,356 thousand respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

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30. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Minimum lease payments to be received	5,583,322	6,351,228
Less: unrealised finance income	(489,850)	(587,005)
Balance of finance lease receivables	5,093,472	5,764,223
Less: allowance for ECL/impairment losses	(93,339)	(94,379)
Finance lease receivables, net	<u>5,000,133</u>	<u>5,669,844</u>
Analysis for presentation purpose:		
Current assets	1,798,843	577,613
Non-current assets	<u>3,201,290</u>	<u>5,092,231</u>
	<u>5,000,133</u>	<u>5,669,844</u>

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

	As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Within 1 year	2,084,350	1,838,305	604,400	582,990
1 to 2 years	1,654,326	1,507,375	705,846	641,450
2 to 3 years	1,099,424	1,030,520	1,964,080	1,814,887
Over 3 years	<u>745,222</u>	<u>717,272</u>	<u>3,076,902</u>	<u>2,724,896</u>
Total	<u>5,583,322</u>	<u>5,093,472</u>	<u>6,351,228</u>	<u>5,764,223</u>
Unrealised finance income	<u>(489,850)</u>	-	<u>(587,005)</u>	-
Balance of finance lease receivables	5,093,472	5,093,472	5,764,223	5,764,223
Allowance for ECL/impairment losses	<u>(93,339)</u>	<u>(93,339)</u>	<u>(94,379)</u>	<u>(94,379)</u>
Finance lease receivables, net	<u>5,000,133</u>	<u>5,000,133</u>	<u>5,669,844</u>	<u>5,669,844</u>

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30. FINANCE LEASE RECEIVABLES (continued)

(b) Analysis of the movements of allowance for ECL/impairment losses:

	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
At the end of last year	94,379	70,000
Impact of adopting IFRS 9	-	-
Charge for the period/year	2,874	24,379
Amounts written off	(3,914)	-
At the end of the period/year	<u>93,339</u>	<u>94,379</u>

(c) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018, as at 30 June 2018, an analysis of the ending balance of the carrying amount in finance lease receivables is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 30 June 2018	<u>4,768,175</u>	<u>231,958</u>	<u>-</u>	<u>5,000,133</u>

31. OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Long-term deferred expenses <sup>(1)</sup>	91,185	101,817
Investments classified as receivables	-	317,542
Deposits	39,330	35,431
Other receivables	109,238	43,825
Less: Allowance for ECL/impairment losses	(614)	-
Total	<u>239,139</u>	<u>498,615</u>

(b) Analysis of the movements of allowance for ECL/impairment losses:

	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
At the end of last year	-	-
Impact of adopting IFRS 9	-	-
Charge for the period/year	<u>614</u>	<u>-</u>
At the end of the period/year	<u>614</u>	<u>-</u>

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31. OTHER NON-CURRENT ASSETS (continued)

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

	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
Balance at beginning of the period/year	101,817	100,689
Additions	14,640	38,329
Transfer in from property and equipment	-	3,646
Amortisation	(25,272)	(40,847)
Balance at end of the period/year	91,185	101,817

32. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Accounts receivable of		
- Brokers and dealers	1,888,176	1,718,021
- Settlement	1,491,406	890,056
- Fee and commission	467,857	386,145
- Investees	21,735	101,735
- Others	28,182	17,416
Less: Allowance for ECL/impairment losses	-	-
Total	3,897,356	3,113,373

(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 2018 (Unaudited)	As at 31 December 2017 (Audited)
Within 1 year	3,823,858	3,109,427
1 to 2 years	73,361	3,182
2 to 3 years	114	764
Over 3 years	23	-
Total	3,897,356	3,113,373

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32. ACCOUNTS RECEIVABLE (continued)

(c) Analysis of the movements of allowance for ECL/impairment losses:

	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
At the end of last year	-	10,989
Impact of adopting IFRS 9	-	-
Charge for the period/year	-	(4,915)
Others	-	(6,074)
	<hr/>	<hr/>
At the end of the period/year	-	-

(d) Accounts receivable that are not impaired

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

33. OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interest receivable	1,759,016	1,866,299
Other receivables <sup>(1)</sup>	1,205,836	1,521,980
Dividend receivables	92,090	101,065
Prepayments <sup>(1)</sup>	22,508	5,265
Factoring receivables	1,122,027	596,206
Others	168,826	179,458
Less: Allowance for ECL/impairment losses	(83,273)	(92,460)
	<hr/>	<hr/>
Total	4,287,030	4,177,813

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

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33. OTHER RECEIVABLES AND PREPAYMENTS (continued)

(b) Analysis of the movements of allowance for ECL/impairment losses:

	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
At the end of last year	92,460	55,250
Charge for the period/year	1,098	40,101
Reversal of impairment	(10,285)	(1,689)
Others	-	(1,202)
At the end of the period/year	<u>83,273</u>	<u>92,460</u>

34. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Individuals	33,682,525	32,791,895
Institutions	2,731,142	5,180,146
Less: Allowance for ECL/impairment losses	<u>(231,204)</u>	<u>(263,684)</u>
Total	<u>36,182,463</u>	<u>37,708,357</u>

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

	Six months ended 30 June 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
At the end of last year	263,684	137,648
Impact of adopting IFRS 9	41,057	-
Charge for the period/year	7,495	177,027
Reversal of impairment	(18,053)	(438)
Others	<u>(62,979)</u>	<u>(50,553)</u>
At the end of the period/year	<u>231,204</u>	<u>263,684</u>

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34. MARGIN ACCOUNTS RECEIVABLE (continued)

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Fair value of collateral:		
- Equity securities	105,908,370	109,929,095
- Cash	3,651,013	2,978,135
- Funds	1,249,184	1,954,675
- Debt securities	51,067	5,296,450
Total	<u>110,859,634</u>	<u>120,158,355</u>

- (d) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018, as at 30 June 2018, an analysis of the ending balance of the carrying amount in margin accounts receivable is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 30 June 2018	<u>35,285,313</u>	<u>876,858</u>	<u>20,292</u>	<u>36,182,463</u>

35. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
Debt securities	8,319,740	-
Less: Allowance for ECL	<u>(32,262)</u>	<u>-</u>
Total	<u>8,287,478</u>	<u>-</u>
Analysed as:		
Listed outside Hong Kong	873,987	-
Unlisted	<u>7,413,491</u>	<u>-</u>
Total	<u>8,287,478</u>	<u>-</u>



(All amounts expressed in RMB thousands unless otherwise specified)

35. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (continued)

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Debt securities	2,828,956	-
Less: Allowance for ECL	(116)	-
Total	<u>2,828,840</u>	<u>-</u>
Analysed as:		
Unlisted	<u>2,828,840</u>	<u>-</u>
Total	<u>2,828,840</u>	<u>-</u>

As at 30 June 2018, the financial assets measured at amortized cost which were pledged as collateral were RMB4,468,456 thousand.

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

	Six months ended 30 June 2018 (Unaudited)	2017 (Audited)
At the end of last year	-	-
Impact of adopting IFRS 9	12,334	-
Charge for the period/year	20,228	-
Others	(184)	-
At the end of the period/year	<u>32,378</u>	<u>-</u>

(b) The Group has adopted IFRS 9 from 1 January 2018, as at 30 June 2018, an analysis of the ending balance of the carrying amount in financial assets measured at amortized cost is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Fair value as at 30 June 2018	<u>10,764,897</u>	<u>324,588</u>	<u>26,833</u>	<u>11,116,318</u>

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36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Held for trading:		
- Debt securities	27,154,107	19,160,757
- Equity securities	5,139,913	2,700,224
- Funds	6,334,999	10,048,991
- Wealth management products	6,963,900	2,303,954
- Others	3,018,319	7,463
Designated at fair value through profit or loss:		
- Debt securities	-	192,101
- Funds	-	199,556
- Wealth management products	-	2,069,536
- Others	-	763,929
Total	<u>48,611,238</u>	<u>37,446,511</u>

(b) Analysed as:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Held for trading:		
- Listed outside Hong Kong	5,282,778	3,456,213
- Listed in Hong Kong	77,693	61,907
- Unlisted	43,250,767	30,703,269
Designated at fair value through profit or loss:		
- Unlisted	-	3,225,122
Total	<u>48,611,238</u>	<u>37,446,511</u>

As at 30 June 2018 and 31 December 2017, 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 RMB 414,226 thousand and RMB526,026 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy. The fair value of collateral for the securities lending business is analysed in Note 34(c) together with the fair value of collateral of margin financing business.

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37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2018 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	21,130,000	153	(20,951)
- Treasury bond futures	1,378,774	-	(9,396)
Equity derivatives			
- Stock index futures	154,702	-	(186)
- Equity return swaps	992,649	48,415	(48,878)
- Stock options	479,212	11,621	(2,039)
- OTC stock index options	6,769,265	183,717	(599,440)
- Embedded option instruments	4,730	-	(29)
Others			
- Commodity futures	427,739	9,781	-
- Currency forward contracts	327,985	-	(9,552)
- Other	1,886,814	3,338	(2,266)
Total	<u>33,551,870</u>	257,025	(692,737)
Less: Cash (received)/paid as settlement		<u>(94)</u>	<u>29,755</u>
Net position		<u>256,931</u>	<u>(662,982)</u>

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37. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2017		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	31,635,000	2,633	(42,184)
- Treasury bond futures	563,075	2,081	-
Equity derivatives			
- Stock index futures	644,877	263	(6,429)
- Equity return swaps	471,626	58	(2,571)
- Stock option	802,634	7,704	(6,257)
- OTC stock index options	4,381,114	184,385	(130,000)
- Embedded option instruments	21,963	-	(63)
Others			
- Commodity futures	148,823	50	(121)
- Gold futures	2,918	73	-
- Currency forward contracts	411,981	-	(10,380)
- Commodity option	133,694	2,093	(2,249)
Total	<u>39,217,705</u>	199,340	(200,254)
Less: Cash (received)/paid as settlement		(2,466)	43,974
Net position		<u>196,874</u>	<u>(156,280)</u>

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

38. CLEARING SETTLEMENT FUNDS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits with		
- China Securities Depository and Clearing Corporation Limited	263,788	172,005
- Others	<u>1,538,473</u>	<u>566,421</u>
Total	<u>1,802,261</u>	<u>738,426</u>

(All amounts expressed in RMB thousands unless otherwise specified)

39. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies.

In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

40. CASH AND BANK BALANCES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash on hand	351	398
Bank balances	10,246,710	9,758,499
Total	<u>10,247,061</u>	<u>9,758,897</u>

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

41. CASH AND CASH EQUIVALENTS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash on hand	351	398
Bank balances	10,246,710	9,758,499
Clearing settlement funds	1,802,261	738,426
Bond investment with original maturity in 3 months	33,776	197,629
Less: restricted bank deposits	<u>(2,934,010)</u>	<u>(4,536,886)</u>
Total	<u>9,149,088</u>	<u>6,158,066</u>

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

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42. LOANS AND BORROWINGS

Current

As at 30 June 2018  
(Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured Bank Loans	HKD	2.75%-4.00%	2018	3,513,534
Secured Bank Loans	HKD	2.00%-4.01%	2018	3,411,611
Unsecured Bank Loans	RMB	4.275%	2018	50,000
Secured Bank Loans	RMB	3.87%-6.41%	2019	1,383,820
Unsecured Bank Loans	USD	4.50%	2018	241,523
Secured Bank Loans	USD	1.15%	2018	327,985
Total				<u>8,928,473</u>

As at 31 December 2017  
(Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured Bank Loans	HKD	2.00%-3.79%	2018	3,454,357
Secured Bank Loans	HKD	1.40%-2.80%	2018	2,541,732
Unsecured Bank Loans	RMB	4.133%	2018	316,760
Secured Bank Loans	RMB	4.22%- 4.79%	2018	413,029
Unsecured Bank Loans	USD	1.15%	2018	411,982
Total				<u>7,137,860</u>

Non-current

As at 30 June 2018  
(Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured Bank Loans	HKD	Hibor+1.38%	2020	3,751,215
Secured Bank Loans	RMB	4.275%-6.41%	2021	1,116,122
Total				<u>4,867,337</u>

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42. LOANS AND BORROWINGS (continued)

As at 31 December 2017  
(Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured Bank Loans	HKD	Hibor+1.38%	2020	3,709,690
Unsecured Bank Loans	RMB	4.275%-5.5%	2021	875,136
Secured Bank Loans	RMB	4.275%-6.41%	2021	<u>741,280</u>
Total				<u>5,326,106</u>

43. SHORT-TERM DEBT INSTRUMENTS

(Unaudited)	Nominal interest rate	Book value as at 1 January 2018	Issuance	Redemption	Book value as at 30 June 2018
Structured notes and short-term bonds	0.00%-5.88%	<u>18,491,732</u>	<u>14,325,999</u>	<u>(10,512,817)</u>	<u>22,304,914</u>
(Audited)	Nominal interest rate	Book value as at 1 January 2017	Issuance	Redemption	Book value as at 31 December 2017
Structured notes and short-term bonds	4.35%-7.00%	<u>5,929,702</u>	<u>25,891,035</u>	<u>(13,329,005)</u>	<u>18,491,732</u>

During the six months ended 30 June 2018, the Group has issued 159 tranches of structured notes, and repaid 148 tranches of structured notes during the period. As at 30 June 2018, the outstanding structured notes and short-term bonds bear fixed interest rates ranging from 0.00% to 5.88% per annum plus a floating rate, repayable within one year.

In 2017, the Group issued 311 tranches of structured notes, and repaid 210 tranches of structured note during the year. As at 31 December 2017, the outstanding structured notes and short-term bonds bear fixed interest rates ranging from 4.35% to 7.00% per annum plus a floating rate, repayable within one year.

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44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interbank lending	1,813,140	2,993,700
Total	1,813,140	2,993,700

As at 30 June 2018, the interbank lending is unsecured and bears interest rate ranging from 2.00% to 6.00% per annum, with maturity ranging from 3 days to 209 days. As at 31 December 2017, the interbank lending is unsecured and bears interest rate ranging from 2.02% to 15.00% per annum, with maturity ranging from 5 days to 38 days.

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Held for trading		
- Debt securities	-	241,493
Designated at fair value through profit or loss		
- Structured entities	412,515	215,448
Total	412,515	456,941

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

46. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Clients' deposits for margin financing and securities lending	8,359,161	7,117,704
Clients' deposits for other brokerage business	34,476,515	33,942,639
Total	42,835,676	41,060,343

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.



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46. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS (continued)

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

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

47. EMPLOYEE BENEFITS PAYABLE

Current

	For the six months ended 30 June 2018 (Unaudited)			
	As at 1 January	Accrued for the period	Payments made	As at 30 June
Salaries, bonuses and allowance	1,973,567	1,337,447	(1,954,453)	1,356,561
Contributions to pension schemes	4,567	125,605	(124,925)	5,247
Other social welfare	52,919	137,413	(135,857)	54,475
Sub-total	2,031,053	1,600,465	(2,215,235)	1,416,283

	For the year ended 31 December 2017 (Audited)			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	2,212,179	2,725,197	(2,963,809)	1,973,567
Contributions to pension schemes	5,505	212,400	(213,338)	4,567
Other social welfare	51,197	261,585	(259,863)	52,919
Sub-total	2,268,881	3,199,182	(3,437,010)	2,031,053

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47. EMPLOYEE BENEFITS PAYABLE (continued)

Non-Current

	For the six months ended 30 June 2018 (Unaudited)			
	As at 1 January	Accrued for the year	Payments made	As at 30 June
Salaries, bonuses and allowance	2,051	-	(683)	1,368
Sub-total	2,051	-	(683)	1,368
Total	2,033,104	1,600,465	(2,215,918)	1,417,651

	For the year ended 31 December 2017 (Audited)			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	-	2,051	-	2,051
Sub-total	-	2,051	-	2,051
Total	2,268,881	3,201,233	(3,437,010)	2,033,104

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48. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interest payable	1,362,271	1,454,503
Temporary receipts	49,468	46,952
Payables to interest holders of consolidated structured entities	5,534,311	5,695,767
Dividends payable	907,582	-
Payables to interest holders of ABS	406,725	231,779
Payable for derivative business	443,856	379,125
Distribution expenses payable	234,550	272,665
Other tax payable	75,050	171,207
Accrued expenses	75,614	123,413
Risk reserve for futures brokerage business	91,806	87,114
Equity swap settlement	43,972	75,073
Option prepayment	-	62,305
Commission payables	37,022	56,792
Payable on behalf of staff	25,214	40,644
Deferred revenue	34,349	39,269
Payable to the securities and futures investor protection fund	20,206	34,799
Settlement payables	398,998	534,898
Payable to custodian	27,490	27,770
H share IPO expenses payable	2,260	22,443
Account executive commission payable	3,484	8,647
Payable for construction project	2,380	4,355
Others <sup>(1)</sup>	352,644	128,950
Total	10,129,252	9,498,470

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

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49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Current

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt securities	24,817,157	22,988,382
Margin loans receivable backed repurchase agreements	20,000	62,900
Others	78	264,213
Total	<u>24,837,235</u>	<u>23,315,495</u>

(b) Analysed by market:

Current

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interbank market	23,538,553	18,499,313
Stock exchanges	1,298,682	2,022,481
OTC market	-	2,793,701
Total	<u>24,837,235</u>	<u>23,315,495</u>

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50. LONG-TERM BONDS

For the six months ended 30 June 2018 (Unaudited)

Name	Par value Original currency	Issue date	Due date	Issue Original currency	Nominal interest rate
15 EVERBRIGHT 01 <sup>(1)</sup>	4,000,000	29/01/2015	29/01/2018	3,976,000	5.85%
15 EVERBRIGHT 04 <sup>(2)</sup>	6,000,000	27/04/2015	27/04/2020	5,982,000	5.70%
EVBSF Corp <sup>(4)</sup>	USD450,000	27/08/2015	27/08/2018	USD 446,191	2.88%
16 EVERBRIGHT 05 <sup>(7)</sup>	1,000,000	24/10/2016	24/10/2018	998,750	3.13%
16 EVERBRIGHT 06 <sup>(8)</sup>	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
Dingfu No.9 Structured Notes <sup>(9)</sup>	50,000	09/09/2016	09/09/2018	50,000	3.70%
17 EVERBRIGHT Xingfu PPN001 <sup>(10)</sup>	600,000	29/03/2017	28/03/2020	600,000	5.00%
17 EVERBRIGHT Xingfu PPN002 <sup>(11)</sup>	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT02 <sup>(13)</sup>	2,000,000	11/01/2017	11/07/2018	1,992,875	4.10%
17 EVERBRIGHT03 <sup>(14)</sup>	2,000,000	14/02/2017	14/02/2019	1,996,200	4.30%
17 EVERBRIGHT04 <sup>(15)</sup>	2,000,000	14/02/2017	14/02/2020	1,994,300	4.45%
17 EVERBRIGHT05 <sup>(16)</sup>	3,000,000	26/04/2017	26/04/2019	2,991,000	4.95%
17 EVERBRIGHT06 <sup>(17)</sup>	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%
17 EVERBRIGHTG1 <sup>(18)</sup>	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%
17 EVERBRIGHTG2 <sup>(19)</sup>	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%
17 EVERBRIGHTG3 <sup>(20)</sup>	4,100,000	13/10/2017	16/10/2020	4,087,700	4.80%
17 EVERBRIGHTG4 <sup>(21)</sup>	1,600,000	13/10/2017	16/10/2020	1,595,200	4.90%
18 EVERBRIGHT Xingfu PPN001 <sup>(22)</sup>	200,000	07/02/2018	07/02/2021	200,000	6.80%
18 EVERBRIGHT01-2 <sup>(23)</sup>	2,000,000	18/01/2018	18/01/2020	2,000,000	5.55%
18 EVERBRIGHTG1 <sup>(24)</sup>	2,700,000	18/04/2018	18/04/2020	2,689,875	4.68%
18 EVERBRIGHTG2 <sup>(25)</sup>	3,300,000	18/04/2018	18/04/2021	3,287,625	4.78%

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50. LONG-TERM BONDS (continued)

For the six months ended 30 June 2018 (Unaudited)

Name	Par value Original currency	Issue date	Due date	Issue Original currency	Nominal interest rate
Guangxin No.102 Structured Notes <sup>(26)</sup>	50,000	18/08/2017	22/08/2018	50,000	4.70%
Guangxin No.514 Structured Notes <sup>(27)</sup>	30,000	13/04/2018	13/04/2019	30,000	5.10%
Dingfu No.588 Structured Notes <sup>(28)</sup>	80	27/04/2018	10/05/2019	80	4.50%

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50. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2018 (Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 30 June 2018(Unaudited)
15 EVERBRIGHT 01 <sup>(1)</sup>	3,999,364	-	636	(4,000,000)	-	-
15 EVERBRIGHT 04 <sup>(2)</sup>	5,997,956	-	2,044	(6,000,000)	-	-
EVBSF Corp <sup>(4)</sup>	2,934,615	-	16,230	-	25,744	2,976,589
16 EVERBRIGHT 05 <sup>(7)</sup>	999,493	-	312	-	-	999,805
16 EVERBRIGHT 06 <sup>(8)</sup>	2,997,750	-	625	-	-	2,998,375
Dingfu No.9 Structured Notes <sup>(9)</sup>	50,000	-	-	-	-	50,000
17 EVERBRIGHT Xingfu PPN001 <sup>(10)</sup>	598,432	(1,236)	2,043	-	-	599,239
17 EVERBRIGHT Xingfu PPN002 <sup>(11)</sup>	199,674	(469)	261	-	-	199,466
17 EVERBRIGHT02 <sup>(13)</sup>	1,997,493	-	2,375	-	-	1,999,868
17 EVERBRIGHT03 <sup>(14)</sup>	1,997,862	-	950	-	-	1,998,812
17 EVERBRIGHT04 <sup>(15)</sup>	1,995,962	-	950	-	-	1,996,912
17 EVERBRIGHT05 <sup>(16)</sup>	2,994,063	-	2,250	-	-	2,996,313
17 EVERBRIGHT06 <sup>(17)</sup>	3,990,722	-	2,000	-	-	3,992,722
17 EVERBRIGHTG1 <sup>(18)</sup>	2,987,151	-	2,500	-	-	2,989,651
17 EVERBRIGHTG2 <sup>(19)</sup>	1,493,145	-	750	-	-	1,493,895
17 EVERBRIGHTG3 <sup>(20)</sup>	4,088,549	-	2,050	-	-	4,090,599
17 EVERBRIGHTG4 <sup>(21)</sup>	1,595,399	-	480	-	-	1,595,879
18 EVERBRIGHT Xingfu PPN001 <sup>(22)</sup>	-	179,321	49	-	-	179,370
18 EVERBRIGHT01-2 <sup>(23)</sup>	-	2,000,000	-	-	-	2,000,000
18 EVERBRIGHTG1 <sup>(24)</sup>	-	2,689,875	1,013	-	-	2,690,888
18 EVERBRIGHTG2 <sup>(25)</sup>	-	3,287,625	825	-	-	3,288,450

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50. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2018(Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 30 June 2018(Unaudited)
Guangxin No.102 Structured Notes <sup>(26)</sup>	-	50,000	-	-	-	50,000
Guangxin No.514 Structured Notes <sup>(27)</sup>	-	30,000	-	-	-	30,000
Dingfu No.588 Structured Notes <sup>(28)</sup>	-	80	-	-	-	80
Total	<u>40,917,630</u>	<u>8,235,196</u>	<u>38,343</u>	<u>(10,000,000)</u>	<u>25,744</u>	<u>39,216,913</u>



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50. LONG-TERM BONDS (continued)

For the year ended 31 December 2017 (Audited)

Name	Par value Original currency	Issue date	Due date	Issue Original currency	Nominal interest rate
15 EVERBRIGHT 01 <sup>(1)</sup>	4,000,000	29/01/2015	29/01/2018	3,976,000	5.85%
15 EVERBRIGHT 04 <sup>(2)</sup>	6,000,000	27/04/2015	27/04/2020	5,982,000	5.70%
15 EVERBRIGHT 06 <sup>(3)</sup>	6,000,000	26/05/2015	26/05/2018	5,978,000	5.30%
EVBSF Corp <sup>(4)</sup>	USD450,000	27/08/2015	27/08/2018	USD 446,191	2.88%
16 EVERBRIGHT 02 <sup>(5)</sup>	2,500,000	27/04/2016	27/10/2018	2,496,875	3.66%
16 EVERBRIGHT 04 <sup>(6)</sup>	3,000,000	26/05/2016	26/11/2018	2,997,500	3.59%
16 EVERBRIGHT 05 <sup>(7)</sup>	1,000,000	24/10/2016	24/10/2018	998,750	3.13%
16 EVERBRIGHT 06 <sup>(8)</sup>	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
Dingfu No.9 Structured Notes <sup>(9)</sup>	50,000	09/09/2016	09/09/2018	50,000	3.70%
17 EVERBRIGHT Xingfu PPN001 <sup>(10)</sup>	600,000	29/03/2017	28/03/2020	600,000	5.00%
17 EVERBRIGHT Xingfu PPN002 <sup>(11)</sup>	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT01 <sup>(12)</sup>	2,000,000	11/01/2017	11/07/2018	1,999,688	4.00%
17 EVERBRIGHT02 <sup>(13)</sup>	2,000,000	11/01/2017	11/07/2018	1,992,875	4.10%
17 EVERBRIGHT03 <sup>(14)</sup>	2,000,000	14/02/2017	14/02/2019	1,996,200	4.30%
17 EVERBRIGHT04 <sup>(15)</sup>	2,000,000	14/02/2017	14/02/2020	1,994,300	4.45%
17 EVERBRIGHT05 <sup>(16)</sup>	3,000,000	26/04/2017	26/04/2019	2,991,000	4.95%
17 EVERBRIGHT06 <sup>(17)</sup>	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%
17 EVERBRIGHTG1 <sup>(18)</sup>	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%
17 EVERBRIGHTG2 <sup>(19)</sup>	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%
17 EVERBRIGHTG3 <sup>(20)</sup>	4,100,000	13/10/2017	16/10/2020	4,087,700	4.80%
17 EVERBRIGHTG4 <sup>(21)</sup>	1,600,000	13/10/2017	16/10/2020	1,595,200	4.90%

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50. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2017(Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2017(Unaudited)
15 EVERBRIGHT 01 <sup>(1)</sup>	3,990,925	-	8,439	-	-	3,999,364
15 EVERBRIGHT 04 <sup>(2)</sup>	5,991,727	-	6,229	-	-	5,997,956
15 EVERBRIGHT 06 <sup>(3)</sup>	5,995,482	-	4,518	(6,000,000)	-	-
EVBSF Corp <sup>(4)</sup>	3,106,467	-	8,837	-	(180,689)	2,934,615
16 EVERBRIGHT 02 <sup>(5)</sup>	2,498,274	-	1,726	(2,500,000)	-	-
16 EVERBRIGHT 04 <sup>(6)</sup>	2,998,487	-	1,513	(3,000,000)	-	-
16 EVERBRIGHT 05 <sup>(7)</sup>	998,868	-	625	-	-	999,493
16 EVERBRIGHT 06 <sup>(8)</sup>	2,996,500	-	1,250	-	-	2,997,750
Dingfu No.9 Structured Notes <sup>(9)</sup>	50,000	-	-	-	-	50,000
17 EVERBRIGHT Xingfu PPN001 <sup>(10)</sup>	-	594,840	3,592	-	-	598,432
17 EVERBRIGHT Xingfu PPN002 <sup>(11)</sup>	-	199,280	394	-	-	199,674
17 EVERBRIGHT01 <sup>(12)</sup>	-	1,997,625	2,375	(2,000,000)	-	-
17 EVERBRIGHT02 <sup>(13)</sup>	-	1,992,875	4,618	-	-	1,997,493
17 EVERBRIGHT03 <sup>(14)</sup>	-	1,996,200	1,662	-	-	1,997,862
17 EVERBRIGHT04 <sup>(15)</sup>	-	1,994,300	1,662	-	-	1,995,962
17 EVERBRIGHT05 <sup>(16)</sup>	-	2,991,000	3,063	-	-	2,994,063
17 EVERBRIGHT06 <sup>(17)</sup>	-	3,988,000	2,722	-	-	3,990,722
17 EVERBRIGHTG1 <sup>(18)</sup>	-	2,985,000	2,151	-	-	2,987,151
17 EVERBRIGHTG2 <sup>(19)</sup>	-	1,492,500	645	-	-	1,493,145
17 EVERBRIGHTG3 <sup>(20)</sup>	-	4,087,700	849	-	-	4,088,549
17 EVERBRIGHTG4 <sup>(21)</sup>	-	1,595,200	199	-	-	1,595,399
Total	28,626,730	25,914,520	57,069	(13,500,000)	(180,689)	40,917,630

(All amounts expressed in RMB thousands unless otherwise specified)

50. LONG-TERM BONDS (continued)

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Long-term bonds due within one year	14,099,842	15,978,921
Long-term bonds due after one year	25,117,071	24,938,709
Total	39,216,913	40,917,630

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

- (1) 3-year subordinated bond amounting to RMB4 billion on 29 January 2015. 15 EVERBRIGHT 01 was repaid on 29 Jan 2018.
- (2) 5-year subordinated bond amounting to RMB6 billion on 27 April 2015 with an early redemption right on 27 April 2018. 15 EVERBRIGHT 04 was early redeemed on 27 April 2018.
- (3) 3-year subordinated bond amounting to RMB6 billion on 26 May 2015 with an early redemption right on 26 May 2017. 15 EVERBRIGHT 06 was early redeemed on 26 May 2017.
- (4) Double Charm Limited, the Company's indirectly-owned subsidiary registered in the British Virgin Islands, has issued a 3-year redeemable bond with a par value of USD0.45 billion in August 2015. EVBSF Corp was repaid on 27 August 2018.
- (5) 30-month corporate bond amounting to RMB2.5 billion on 27 April 2016 with an early redemption right on 27 October 2017. 16 EVERBRIGHT 02 was early redeemed on 27 October 2017.
- (6) 30-month corporate bond amounting to RMB3 billion on 26 May 2016 with an early redemption right on 26 November 2017. 16 EVERBRIGHT 04 was early redeemed on 26 November 2017.
- (7) 2-year corporate bond amounting to RMB1 billion on 24 October 2016.
- (8) 3-year corporate bond amounting to RMB3 billion on 24 October 2016.
- (9) 2-year structured note amounting to RMB50 million on 9 September 2016.
- (10) 3- year corporate bond amounting to RMB600 million on 29 March 2017.
- (11) 3- year corporate bond amounting to RMB200 million on 27 April 2017.
- (12) 18-month corporate bond amounting to RMB2 billion on 11 January 2017 with an early redemption right on 11 July 2017. 17 EVERBRIGHT 01 was early redeemed on 11 July 2017.
- (13) 18-month corporate bond amounting to RMB2 billion on 11 January 2017.
- (14) 2-year corporate bond amounting to RMB2 billion on 14 February 2017.
- (15) 3-year corporate bond amounting to RMB2 billion on 14 February 2017.

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50. LONG-TERM BONDS (continued)

- (16) 2-year corporate bond amounting to RMB3 billion on 26 April 2017.
- (17) 3-year corporate bond amounting to RMB4 billion on 26 April 2017.
- (18) 3-year corporate bond amounting to RMB3 billion on 4 July 2017.
- (19) 5-year corporate bond amounting to RMB1.5 billion on 4 July 2017.
- (20) 3-year corporate bond amounting to RMB4.1 billion on 13 October 2017.
- (21) 5-year corporate bond amounting to RMB1.6 billion on 13 October 2017.
- (22) Everbright Fortune International Leasing Co., Ltd., the Company's subsidiary registered in Shanghai, has issued 3-year corporate bond amounting to RMB200 million on 7 February 2018.
- (23) 2-year corporate bond amounting to RMB2 billion on 18 January 2018.
- (24) 2-year corporate bond amounting to RMB2.7 billion on 18 April 2018.
- (25) 3-year corporate bond amounting to RMB3.3 billion on 18 April 2018.
- (26) 1-year structured notes amounting to RMB50 million on 18 August 2017.
- (27) 1-year structured notes amounting to RMB30 million on 13 April 2018.
- (28) 1-year structured notes amounting to RMB0.08 million on 27 April 2018.

51. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits for finance lease	233,067	333,785
Club membership and trading payable	15,860	15,724
Put right liabilities arising from business combination <sup>(1)</sup>	1,866,623	1,850,705
Deferred revenue	47,140	63,141
Payables to interest holders of ABS	1,091,437	1,308,764
Payables to interest holders of consolidated structured entities	-	21,091
Others	35,023	12,244
Total	<u>3,289,150</u>	<u>3,605,454</u>

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

52. SHARE CAPITAL

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

(All amounts expressed in RMB thousands unless otherwise specified)

52. SHARE CAPITAL (continued)

	As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
	Number of shares (Thousand)	Nominal value	Number of shares (Thousand)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	3,906,699	3,906,699	3,906,699	3,906,699
H shares of RMB1 each	704,089	704,089	704,089	704,089
Total	<u>4,610,788</u>	<u>4,610,788</u>	<u>4,610,788</u>	<u>4,610,788</u>

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 face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(b) Surplus reserve

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

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

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

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

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

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired before adoption of IFRS 9. After adoption of IFRS9 since 1 January 2018, the fair value reserve comprises the cumulative net changes in fair values of Equity instruments at fair value through other comprehensive income until the assets are derecognised and the cumulative net changes in fair values of Debt instruments at fair value through other comprehensive income until the assets are derecognised or impaired.

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53. RESERVES AND RETAINED PROFITS (continued)

(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 15 May 2018, the Company distributed cash dividends of RMB2.00 yuan for every 10 shares (tax included) amounting to RMB922,158 thousand in total for the year ended 31 December 2017.

54. COMMITMENTS

(a) Capital commitments

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Contracted but not provided for	214,546	326,922

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

(b) Operating lease commitments

As at 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Within 1 year (inclusive)	309,072	258,819
1 to 2 years (inclusive)	258,611	211,513
2 to 3 years (inclusive)	173,778	143,503
After 3 years	133,710	68,231
	<u>875,171</u>	<u>682,066</u>

55. CONTINGENCIES

(a) Litigation

The Company was sued as a result of the "8•16 Event" with a total number of 502 lawsuits and total claimed amount of RMB 68,729 thousand. As at 30 June 2018, 497 lawsuits were closed with total compensation amounting to RMB 41,551 thousand. The remaining 5 lawsuits with total claimed amount of RMB755 thousand are still pending for court judgment.

(All amounts expressed in RMB thousands unless otherwise specified)

55. CONTINGENCIES (continued)

(a) Litigation (continued)

On 7 June 2016, the Second Intermediate People's Court of Shanghai issued a notice of appearance to EBSAM, a wholly-owned subsidiary of the Company, pursuant to which Xiamen International Bank Co., Ltd. Shanghai Branch ("Xiamen International Bank Shanghai") filed a claim against EBSAM in respect of a contractual dispute on asset management services. In November 2012, the plaintiff entrusted RMB150 million to a 3-year Targeted Asset Management ("TAM") scheme established and managed by EBSAM. As approved by the plaintiff, the TAM scheme invested the entrusted assets in a trust plan managed by a Trust Company, which had a duration of 365 days and an expected annual return of 6.2%. The plaintiff appealed EBSAM to return the entrusted assets and pay expected returns and appealed the third party bank, which issued a guarantee letter to the plaintiff, to undertake the joint responsibility. The plaintiff alleged that EBSAM breached its fiduciary duty of care in managing the entrusted assets under the TAM scheme, which caused loss of the entrusted assets and expected returns. On 8 July 2016, EBSAM appointed a lawyer to file a counterclaim. EBSAM requested Xiamen International Bank Shanghai to receive the entrusted assets and compensate for any loss due to Xiamen International Bank Shanghai not receiving the entrusted assets in time. The counterclaim has already been accepted by an intermediate court in Shanghai and the first court trial was held on 23 February 2017. On 31 March 2017, EBSAM received the first instance verdict which dismissed all the request from the plaintiff and supported the aforementioned counter-claim from EBSAM. Xiamen International Bank Shanghai has appealed. The Shanghai High People's Court held a hearing on May 10, 2018 and no verdict has been reached yet.

On December 26, 2017, O:TU Investments Limited ("O:TU") (as the plaintiff) filed an action against Shanghai International Wine Exchange Co., Ltd. (上海国际酒业交易中心股份有限公司) ("SIWE") and Everbright Fortune Investment Co., Ltd. ("Everbright Fortune", as the defendants), with Bank of China Limited Shanghai Branch as the third party. In November 2014, to carry out the distribution and investment business for O:TU wine products, Everbright Fortune signed a memorandum, an underwriting agreement and a supplemental agreement with O:TU and SIWE to set out the key elements of the wine products to be launched, ways of distribution, investment returns, repurchase undertaking and other terms. In December 2017, O:TU alleged that the aforesaid contract was invalid and claimed for a compensation of loss of approximately RMB12.95 million from SIWE and Everbright Fortune. Shanghai No. 2 Intermediate People's Court organized pre-trial cross-examination on June 5 and July 20, 2018. During the period, the plaintiff added the claim to confirm that the Non-domestic Collectible Wine Underwriting Agreement of Shanghai International Wine Exchange entered into among the plaintiff and defendants is invalid, and changed the compensation requesting SIWE to compensate the plaintiff for its economic loss of approximately RMB12.83 million.

Except for the aforementioned case, as at 30 June 2018, the Group was not involved in any material legal, arbitration or administrative proceedings that if adversely determined, the Group expect would materially adversely affect its financial position or results of operations.

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56. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership. Share percentage in the Company:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
China Everbright Group Ltd.	25.15%	25.15%
China Everbright Limited	21.30%	23.30%

(ii) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in Note 22.

(iii) Other related parties

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

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
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Balances at the end of the period/year:

Accounts receivable	422	418
Other payables and accruals	155	252
	<u>Six months ended 30 June 2018 (Unaudited)</u>	<u>Six months ended 30 June 2017 (Unaudited)</u>

Transactions during the period:

Fee and commission income	-	16,509
Fee and commission expense	-	115
Other operating expenses	-	52



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56. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances (continued)

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Balances at the end of the period/year:		
Cash and bank balances(including Cash held on behalf of brokerage clients)	9,642,691	4,510,971
Other non-current liabilities	-	1,850,705
Loans and borrowings	1,515,532	920,532
Other payables and accruals	148,532	154,395
Other receivables and prepayments	345,174	82,224
Financial assets at fair value through profit or loss	209,775	-
Available-for-sale financial assets	-	165,000
Margin accounts receivable	32,700	22,835
Accounts receivable	36,911	7,365

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Transactions during the period:		
Transaction amount for financial assets sold under repurchase agreements	17,955,394	7,534,040
Loans borrowed	595,000	-
Interest income	89,513	117,176
Fee and commission income	26,006	67,583
Other operating expenses	44,700	87,434
Fee and commission expenses	3,534	4,651
Net investment gains	123	4,937
Interest expenses	21,208	11,487
Other income and gains	4,896	10,404

(All amounts expressed in RMB thousands unless otherwise specified)

56. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	40,779	23,773
Post-employment benefits		
- Contributions to pension schemes	384	444
Total	41,163	24,217

57. SEGMENT REPORTING

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

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

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57. SEGMENT REPORTING (continued)

(a) Business segments

For the six months ended 30 June 2018(Unaudited)

	Brokerage and wealth management	Credit business	Institutional securities services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	1,049,400	46,705	635,481	604,646	414,308	33,046	2,783,586
- Inter-segment	2,105	-	-	-	-	-	2,105
Interest income							
- External	334,419	1,842,973	5,292	84,412	259,397	135,356	2,661,849
- Inter-segment	-	-	-	11,114	-	65,323	76,437
Net investment gains/(losses)							
- External	4,488	(89,791)	(41,371)	562,653	80,006	754,576	1,270,561
- Inter-segment	-	-	-	(17)	-	(91)	(108)
Total revenue							
- External	1,388,307	1,799,887	599,402	1,251,711	753,711	922,978	6,715,996
- Inter-segment	2,105	-	-	11,097	-	65,232	78,434
Other income and gains							
- External	18,412	(2,171)	212	15,404	62,143	170,618	264,618
- Inter-segment	-	-	-	-	2,155	-	2,155
Segment revenue and other income							
- External	1,406,719	1,797,716	599,614	1,267,115	815,854	1,093,596	6,980,614
- Inter-segment	2,105	-	-	11,097	2,155	65,232	80,589
Segment expenses							
- External	(1,096,114)	(1,197,659)	(568,460)	(605,849)	(764,356)	(1,409,883)	(5,642,321)
- Inter-segment	-	(2,736)	-	(64,584)	-	(13,269)	(80,589)
Segment operating profit/(loss)							
- External	310,605	600,057	31,154	661,266	51,498	(316,287)	1,338,293
- Inter-segment	2,105	(2,736)	-	(53,487)	2,155	51,963	-
Share of profit of associates and joint ventures							
- External	-	-	-	32,660	2,447	-	35,107
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax							
- External	310,605	600,057	31,154	693,926	53,945	(316,287)	1,373,400
- Inter-segment	2,105	(2,736)	-	(53,487)	2,155	51,963	-
Interest income	334,419	1,842,973	5,292	84,412	259,397	135,356	2,661,849
Interest expenses	(39,940)	(975,061)	(156,381)	(127,126)	(182,658)	(911,921)	(2,393,087)
Reversal of/(provision for) credit loss expense	15	(160,539)	139	-	(7,074)	(23,837)	(191,296)

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57. SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the six months ended 30 June 2017(Unaudited)

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

(All amounts expressed in RMB thousands unless otherwise specified)

57. SEGMENT REPORTING (continued)

(b) Geographical segments

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

Segment revenue:

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Revenue from external customers	5,962,285	753,711	6,715,996	5,313,123	642,313	5,955,436
Other income and gains	202,475	62,143	264,618	264,703	59,037	323,740
Total	<u>6,164,760</u>	<u>815,854</u>	<u>6,980,614</u>	<u>5,577,826</u>	<u>701,350</u>	<u>6,279,176</u>

Specified non-current assets:

	As at 30 June 2018			As at 31 December 2017		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Property and equipment	767,810	29,414	797,224	799,454	30,825	830,279
Goodwill	9,380	1,208,916	1,218,296	9,380	1,190,295	1,199,675
Other intangible assets	67,171	409,852	477,023	78,856	478,847	557,703
Interests in associates and joint ventures	1,306,096	40,203	1,346,299	1,192,430	37,344	1,229,774
Refundable deposits	<u>3,918,557</u>	<u>76,985</u>	<u>3,995,542</u>	<u>3,650,208</u>	<u>62,808</u>	<u>3,713,016</u>

(All amounts expressed in RMB thousands unless otherwise specified)

58. FAIR VALUE INFORMATION

(a) Fair value of financial instruments

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

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives, financial assets at fair value through other comprehensive income and available-for-sale financial assets are stated at fair value. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of long-term bonds and other non-current liabilities — put right liabilities arising from business combination are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimates the fair values using pricing models including discounted cash flow and binomial pricing models.
- (iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients mainly are within one year. Accordingly, the carrying amounts approximate the fair values.

(b) Fair value 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.

(All amounts expressed in RMB thousands unless otherwise specified)

58. 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 fair value.

	As at 30 June 2018 (Unaudited)			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	2,101,608	24,797,072	255,427	27,154,107
– Equity securities	3,161,573	888,678	1,089,662	5,139,913
– Funds	5,141,076	269,044	924,879	6,334,999
– Wealth management products	-	3,287,326	3,676,574	6,963,900
– Others	-	7,330	3,010,989	3,018,319
Debt instruments at fair value through other comprehensive income				
– Debt securities	65,443	12,862,650	-	12,928,093
Equity instruments at fair value through other comprehensive income				
– Equity securities	-	-	359,361	359,361
– Other investments	36,090	4,684,102	238,654	4,958,846
Derivative financial assets	11,621	245,310	-	256,931
<b>Total</b>	<b>10,517,411</b>	<b>47,041,512</b>	<b>9,555,546</b>	<b>67,114,469</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
– Structured entities	-	-	(412,515)	(412,515)
Derivative financial liabilities	(2,039)	(660,943)	-	(662,982)
<b>Total</b>	<b>(2,039)</b>	<b>(660,943)</b>	<b>(412,515)</b>	<b>(1,075,497)</b>

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58. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

	As at 31 December 2017			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	1,193,542	17,967,215	-	19,160,757
– Equity securities	2,006,238	291,169	402,817	2,700,224
– Funds	9,605,427	443,564	-	10,048,991
– Wealth management products	-	1,432,654	871,300	2,303,954
– Others	-	7,463	-	7,463
Designated as at fair value through profit or loss				
– Debt securities	-	192,101	-	192,101
– Funds	-	-	199,556	199,556
– Wealth management products	-	352,419	1,717,117	2,069,536
– Others	-	-	763,929	763,929
Available-for-sale financial assets				
– Debt securities	843,104	24,097,148	90,000	25,030,252
– Equity securities	2,268,604	324,675	3,678,612	6,271,891
– Funds	276,892	-	-	276,892
– Wealth management products and others	-	6,227,268	150,000	6,377,268
Derivative financial assets	7,704	189,170	-	196,874
<b>Total</b>	<b>16,201,511</b>	<b>51,524,846</b>	<b>7,873,331</b>	<b>75,599,688</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Held for trading				
– Debt securities	-	(241,493)	-	(241,493)
Designated as at fair value through profit or loss				
– Structured entities	-	-	(215,448)	(215,448)
Derivative financial liabilities	(6,257)	(150,023)	-	(156,280)
<b>Total</b>	<b>(6,257)</b>	<b>(391,516)</b>	<b>(215,448)</b>	<b>(613,221)</b>

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

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



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

(ii) Financial instruments in Level II

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

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

(iii) Valuation methods for specific investments

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

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

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58. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(iv) Financial instruments in Level III

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Available-for- sale financial assets	Financial liabilities at fair value through profit or loss	Total
As at 31 December 2017	3,954,719	-	3,918,613	(215,449)	7,657,883
Impact of adopting IFRS 9	3,348,915	569,698	(3,918,613)	-	-
As at 1 January 2018	7,303,634	569,698	-	(215,449)	7,657,883
Transfer out	(237,924)	-	-	-	(237,924)
Gains for the period	759,929	-	-	(197,066)	562,863
Changes in fair value recognised in other comprehensive income	-	(79,735)	-	-	(79,735)
Purchases	2,710,604	154,664	-	-	2,865,268
Sales and settlements	(1,578,711)	(46,612)	-	-	(1,625,323)
As at 30 June 2018	8,957,532	598,015	-	(412,515)	9,143,032
Total gains/(losses) for the reporting period included in profit or loss for assets held at the end of the reporting period	-	-	-	-	-

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58. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2017	3,250,896	3,367,111	(202,034)	6,415,973
Transfer out	513,751	46,160	-	559,911
Gains for the year	180,236	184	-	180,420
Changes in fair value recognised in other comprehensive income	-	(193,199)	-	(193,199)
Purchases	3,176,475	2,163,965	(16,055)	5,324,385
Sales and settlements	(3,166,639)	(1,465,608)	2,640	(4,629,607)
As at 31 December 2017	<u>3,954,719</u>	<u>3,918,613</u>	<u>(215,449)</u>	<u>7,657,883</u>
Total losses for the year included in profit or loss for assets held at the end of the reporting period	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>(102)</u>

(All amounts expressed in RMB thousands unless otherwise specified)

58. 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 measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 30 June 2018 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

Carrying amount:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Financial liabilities		
- Long-term bonds	39,216,913	40,917,630

(All amounts expressed in RMB thousands unless otherwise specified)

58. FAIR VALUE INFORMATION (continued)

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

Fair value:

	As at 30 June 2018 (Unaudited)			
	Level I	Level II	Level III	Total
Financial liabilities				
- Long-term bonds	-	41,898,953	-	41,898,953
	As at 31 December 2017 (Audited)			
	Level I	Level II	Level III	Total
Financial liabilities				
- Long-term bonds	-	43,461,245	-	43,461,245

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

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

59. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Issuance of corporate bonds after reporting period

On 30 July 2018, the Company issued two tranches of corporate bonds with an aggregate principal amount of RMB 5 billion through non-public offering. Tranche one with principal amount of RMB 1 billion has a term of 24 months and bears an interest rate of 4.55%. Tranche two with principal amount of RMB 4 billion has a term of 36 months and bears an interest rate of 4.67%.

On 15 August 2018, the Company issued short-term corporate bond with an aggregate principal amount of RMB 3 billion through public offering, which has a term of 90 days and bears an interest rate of 2.80%.

60. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The financial information was approved and authorised for issue by the Board of Directors on 28 August 2018.