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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

The board of directors (the “**Board**”) of Everbright Securities Company Limited (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2018. This announcement, containing the full text of the 2018 annual 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 announcement of annual results.

The Group’s final results for the year ended December 31, 2018 have been reviewed by the audit committee of the Company.

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.ebscn.com](http://www.ebscn.com)). The Company’s 2018 annual report will be dispatched to the holders of H shares of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Shanghai, the PRC  
March 27, 2019

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

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## IMPORTANT NOTICE

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this annual report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally assume legal responsibility as to the contents herein.
- II. This report was reviewed and passed at the 13th meeting of the fifth session of the Board of the Company. The number of Directors that should attend the Board meeting was 13 and the number of Directors having voted at the Board meeting was 13. Mr. Xue Feng, the chairman and an executive Director of the Company, appointed Mr. Yan Jun, an executive Director, to attend the meeting on his behalf due to work reasons.

None of the Directors or Supervisors has made any objection to this report.

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

The Company's profit distribution proposal for 2018 that was considered and approved at the 13th meeting of the fifth session of the Board of the Company is set forth as follows:

On the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2018, cash dividend of RMB1.00 per 10 shares (tax inclusive) will be distributed to all holders of A Shares and H Shares, with total cash dividend amounting to RMB461,078,763.90. The above distribution proposal will be proposed at the general meeting of the Company for consideration and is subject to the approval by the Company's shareholders at the general meeting before implementation.

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

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

### I Definitions

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

China or PRC	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
CDR	China Depository Receipt
CMBN	Commercial mortgage – backed notes
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), 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



## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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% and 30% by EBSHK and Sun Hung Kai & Co. Limited, respectively
Everbright SHK	Everbright Sun Hung Kai Company Limited (光大新鴻基有限公司), a wholly-owned subsidiary of SHKFGL
Dacheng Fund	Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company
Reporting Period	the year of 2018 (January 1, 2018 to December 31, 2018)
Directors	the directors of the Company
Board, Board of Directors	the board of Directors of the Company
Supervisors	the supervisors of the Company
Supervisory Committee	the supervisory committee of the Company

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
Huijin	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
PBOC	People's Bank of China, the central bank of the PRC
REITs	Real estate investment trusts
Science and technology innovation board	The science and technology innovation board to be launched by the Shanghai Stock Exchange
SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
PB	Prime brokerage
PPP	Public-private Partnership
FICC	Fixed-income, Currencies and Commodities
QFII	Qualified foreign institutional investor
securitization, ABS	financing through issuance of tradable securities backed by specific asset portfolios or cash flows
margin financing and securities lending	provision of collateral by investors to securities firms to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending)
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)

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

collateralized stock repurchase	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
security transactions with repurchase agreement	a transaction in which a qualified client sells the subject securities at an agreed price to the securities firm which is the custodian of such securities, and agrees to purchase the subject securities from the securities firm at another agreed price on a future date, and the securities firm will return the relevant yields generated by the subject securities during the period pending for repurchase to the client pursuant to the agreement signed with the client
stock index futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Group, our 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)
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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
AUM	Assets 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)
IPO	initial public offering
PRC GAAP	the PRC Accounting Standards for Business Enterprises
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China

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

## II Warning of Material Risks

The Company has described in detail of the risks that it may be exposed to in this report. Please refer to the relevant statements in “III. Management Discussion and Analysis on the Future Development of the Company – (IV) Potential risk exposure” of Section IV “Report of the Board” and section V “significant events” in this report for details.

## SECTION II

### COMPANY PROFILE AND KEY FINANCIAL INDICATORS

#### I Company Information

Chinese name of the Company	光大證券股份有限公司
Short name of the Company in Chinese	光大證券
English name of the Company	Everbright Securities Company Limited
Abbreviated name of A Shares of the Company in English	EBSCN
Abbreviated name of H Shares of the Company in English	EB SECURITIES
Legal representative of the Company	Mr. 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:

	As of December 31, 2018	As of December 31, 2017
Registered capital	4,610,787,639.00	4,610,787,639.00
Net capital	35,015,334,030.39	32,683,686,858.18

RMB Yuan

#### Business scope of the Company:

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### Qualification of each of the businesses of the Company:

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

## II Contact Person and Information

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

Name	Zhu Qin
Contact address	No.1508 Xinzha Road, Jing'an District, Shanghai, China
Telephone	+86 021-2216 9914
Facsimile	+86 021-2216 9964
Email address	ebs@ebscn.com

## III Basic Information

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### IV Information Disclosure and Place of Inspection

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

### V Information on the Company's Shares

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

### VI Other Information of the Company

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

#### Incorporation in 1996

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### **Increase of registered capital in 1997**

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

### **Equity transfer in the period from 1999 to 2002**

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

### **Increase of registered capital in 2002**

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### **Restructuring into a joint stock company in 2005**

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

### **Increase of registered capital in 2007**

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

### Private placement of A Shares in 2015

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

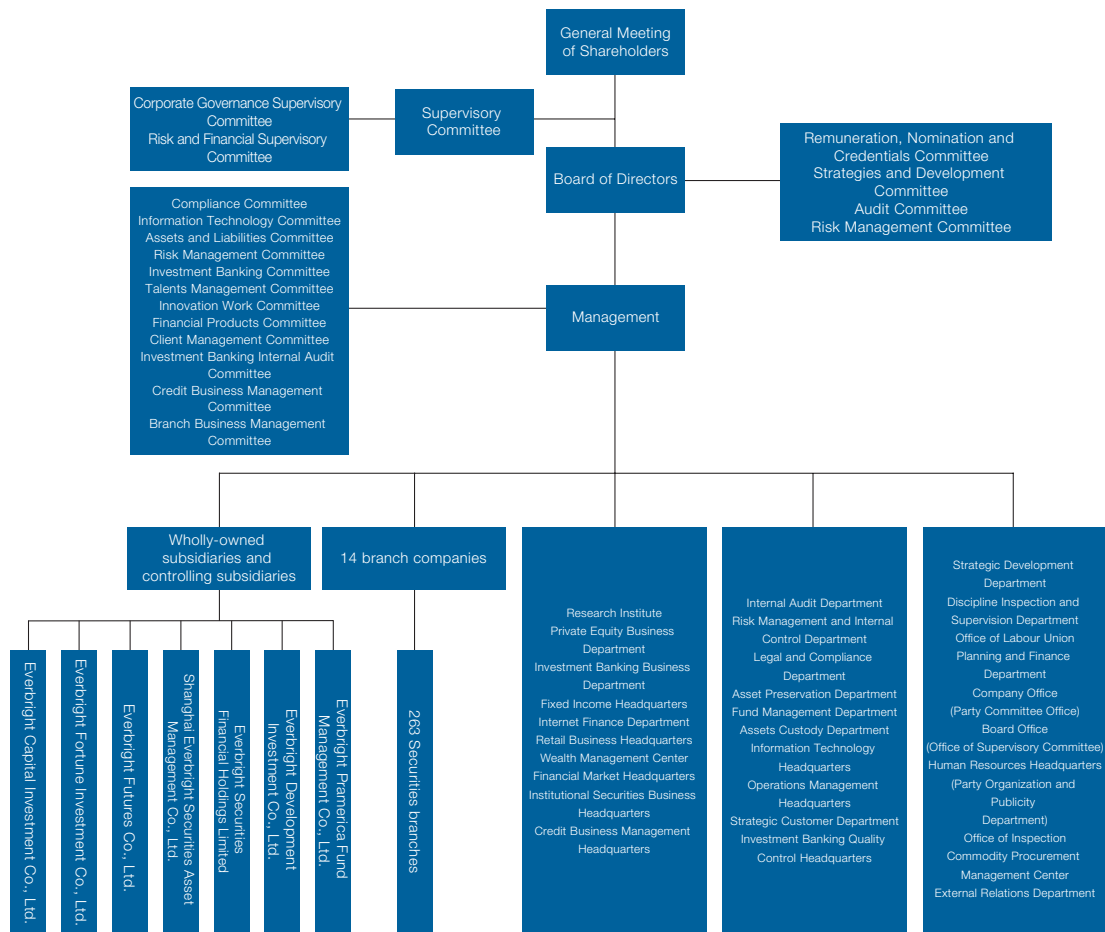
### Public offering of H Shares and listing on the Hong Kong Stock Exchange in 2016

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### ORGANIZATION STRUCTURE

#### 1. Organizational chart



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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Name	Registered Capital	Shareholding Percentage held by the Company	Registered Address	Date of Establishment	Person in Charge and Contact Number
Everbright Futures	RMB1.5 billion	100%	6 <sup>th</sup> Floor, No. 729 Yanggao South Road, Free Trade Experimental Zone (Shanghai), China	April 8, 1993	Yu Dawei (俞大偉) 86-021-80212218
Everbright Asset Management	RMB200 million	100%	17 <sup>th</sup> Floor, No. 1508 Xinzha Road, Jing'an District, Shanghai, China	February 21, 2012	Xiong Guobing (熊國兵) 86-021-62155008
Everbright Fortune	RMB2 billion	100%	Room 801-803, No. 1508 Xinzha Road, Jing'an District, Shanghai, China	September 26, 2012	Wang Jinming (王金明) 86-021-68815580
EBSHK	HK\$2.765 billion	100%	24/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	November 19, 2010	Xue Feng (薛峰) 852-21068101
Everbright Development	RMB500 million	100%	Room 209, Western District, Level 2, No. 707 Zhangyang Road, Free Trade Experimental Zone (Shanghai), China	June 12, 2017	Chen Hu (陳濤) 86-021-68786333
Everbright Pramerica	RMB160 million	55%	6-10 <sup>th</sup> Floor, Tower One, BFC, No. 558 Zhongshan East Second Road, Shanghai	April 22, 2004	Lin Chang (林昌) 86-021-80262888
Everbright Capital	RMB4 billion	100%	8 <sup>th</sup> Floor, No. 1508 Xinzha Road, Jing'an District, Shanghai, China	November 7, 2008	Fan Nan (范南) 86-021-61061908

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

As of the date of this report, the Company has 14 branch companies and 263 securities brokerage branches located nationwide in 128 cities (including county-level cities) of 30 provinces; autonomous regions and municipalities directly under the central government.

## VII Other Relevant Information

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

Item	2018 (RMB'000)	2017 (RMB'000)	Variance as compared to the last corresponding period	2016 (RMB'000)
<b>Operating results</b>				
Revenue and other income	13,482,584	14,761,235	(8.66)%	13,868,529
Profit before income tax	305,441	4,077,657	(92.51)%	3,991,458
Net profit attributable to shareholders of the Company	103,323	3,016,470	(96.57)%	3,013,019
Net cash used in operating activities	(11,385,210)	(30,608,967)	N/A	(891,693)
	(RMB/share)	(RMB/share)		(RMB/share)
<b>Earnings per share</b>				
Basic earnings per share	0.02	0.65	(96.57)%	0.74
Diluted earnings per share	0.02	0.65	(96.57)%	0.74
<b>Index of profitability</b>				
Weighted average returns on net assets	0.21%	6.26%	Decreased by 6.05 percentage points	7.29%

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Item	As of December 31, 2018 (RMB'000)	As of December 31, 2017 (RMB'000)	Variance as compared to the last corresponding period	As of December 31, 2016 (RMB'000)
<b>Scale indices</b>				
Total assets	205,779,038	205,864,365	(0.04)%	177,637,259
Total liabilities	157,021,183	155,841,697	0.76%	129,000,595
Accounts payable to brokerage clients	35,965,897	41,060,343	(12.41)%	55,343,327
Equity attributable to shareholders of the Company	47,203,028	48,575,912	(2.83)%	47,195,712
Total equity of owners	48,757,855	50,022,668	(2.53)%	48,636,664
Total share capital ('000 shares)	4,610,788	4,610,788	–	4,610,788
Net assets per share attributable to shareholders of the Company (RMB/share)	10.24	10.54	(2.83)%	10.24
Gearing ratio <sup>Note 1</sup>	71.29%	69.65%	increased by 1.64 percentage points	60.23%

Note 1: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

Note 2: The net profit and the net assets attributable to shareholders of listed companies for the comparable periods as disclosed in the financial reports prepared in accordance with the IFRS are consistent with those prepared in accordance with the PRC GAAP.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Net capital and risk control indicators of the parent company

Item	As of December 31, 2018 (RMB'000)	As of December 31, 2017 (RMB'000)
Net capital	35,015,334	32,683,687
Net assets	47,567,982	48,422,140
Provisions for risk capital	15,130,659	12,200,415
On-balance sheet and off-balance sheet assets	140,991,522	140,291,182
Risk coverage ratio (%)	231.42	267.89
Capital leverage ratio (%)	25.37	25.38
Liquidity coverage ratio (%)	894.79	233.05
Net stable funding ratio (%)	151.44	140.19
Net capital/Net assets (%)	73.61	67.50
Net capital/Liabilities (%)	39.04	37.47
Net assets/Liabilities (%)	53.04	55.52
Value of proprietary trading of equity securities and equity derivatives/Net capital (%)	23.83	28.90
Value of proprietary trading of fixed income securities/Net capital (%)	167.99	158.82

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

#### 1. Profitability information

RMB: million

	2018	2017	2016	2015	2014
Revenue and other income	13,482.6	14,761.2	13,868.5	23,292.7	8,561.6
Total expenses	13,154.8	10,766.9	9,936.5	13,520.0	5,773.1
Profit before income tax	305.4	4,077.7	3,991.5	9,846.3	2,849.4
Profit for the year	103.3	3,016.5	3,013.0	7,646.5	2,068.3
– attributable to shareholders of the Company					

#### 2. Asset information

RMB: million

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Total assets	205,779.0	205,864.4	177,637.3	197,072.8	114,944.8
Total liabilities	157,021.2	155,841.7	129,000.6	154,649.2	88,324.5
Accounts payable to brokerage clients	35,965.9	41,060.3	55,343.3	71,102.0	40,497.4
Equity attributable to shareholders of the Company	47,203.0	48,575.9	47,195.7	40,482.6	25,809.1
Share capital	4,610.8	4,610.8	4,610.8	3,906.7	3,418.0

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### 3. Key financial indicators

	2018	2017	2016	2015	2014
Basic earnings per share (RMB)	0.02	0.65	0.74	2.14	0.61
Diluted earnings per share (RMB)	0.02	0.65	0.74	2.14	0.61
Weighted average returns on net assets	0.21%	6.26%	7.29%	23.10%	8.57%
Gearing ratio <sup>note</sup>	71.29%	69.65%	60.23%	66.32%	64.24%
Net assets per share attributable to shareholders of the Company (RMB/share)	10.24	10.54	10.24	10.36	7.55

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

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

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

According to the data of the Securities Association of China, as of December 31, 2018, the 131 securities firms in the entire industry were principally engaged in brokerage, margin financing and securities lending, investment banking, proprietary trading of securities, asset and fund management, private equity investment and management, and alternative investment, etc.. The industrial total assets and net assets were RMB6.26 trillion and RMB1.89 trillion respectively (all industrial information set out in this report was retrieved from the SSE and the SZSE, Wind Info, the respective membership systems of the Securities Association and the Funds Association, etc.).

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

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

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

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

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

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

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

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

#### Global Economic Situation

In 2018, the global economy continued to grow in general, but the growth momentum has slowed down. Major developed economies were growing at a slower pace, and major emerging economies were recovering to varying degrees in general, but the economic operation appeared to diverge. Significant changes have taken place in the external environment for world economic development. Global trade protectionism was on the rise, unilateralism was intensified, commodity prices fluctuated drastically, and uncertainties increased significantly. Stock indexes of the developed economies fluctuated considerably, and financial markets of some emerging market economies were in turmoil. The US dollar continued to appreciate, and other currencies depreciated to varying degrees.

#### China's Economic Situation

In 2018, China's economy maintained steady growth in the face of complex and severe domestic and international situations, fully demonstrating the strong resilience and potential of its economy. China's economic growth remained within the proper range, and its GDP exceeded RMB90 trillion in 2018, representing an increase of 6.6%. The economic structure continued to improve, the service sector maintained rapid growth, and the consumption contributed more to economic growth. The three critical missions started well, financial deleveraging achieved positive results, financial risks declined overall, and the ability to serve the real economy was improved. Supply-side structural reforms were further advanced, the reform and opening-up were strengthened, and the vitality of the real economy was continuously unleashed. The transformation of old economic drivers into new ones was accelerated observably, and the economy continued to move toward a stage of high quality development.

#### Overview of the Capital Market

In 2018, China deepened the legalization, marketization and internationalization of the capital market, and introduced a series of new policies and new measures, such as the establishment of a science and technology innovation board, the implementation of a pilot registration system, new rules governing delisting, repurchases, CDR, mergers and acquisitions, reorganization and refinancing. The capital market reform was deepened, and the opening up was accelerated. Affected by economic factors and investor sentiment, the secondary market conditions of stocks and bonds were highly differentiated. During the Reporting Period, the SSE Composite Index and CSI 300 Index recorded a decrease of 24.59% and 25.31%, respectively; only the bond market was still warm slightly, with the ChinaBond Aggregate Full Price Index up by 4.79%. The trading activity of the secondary market continued to decline. The daily average trading volume of Shanghai and Shenzhen stock markets was RMB371.1 billion, representing a year-on-year decrease of 19.5%. The daily average trading volume of stocks and funds amounted to RMB411.5 billion, representing a year-on-year decrease of 17.5%. The direct financing scale of the primary market was significantly reduced, recording a total of RMB1,210.735 billion raised through equity financing, representing a year-on-year decrease of 29.71%. In particular, the proceeds raised from IPOs amounted to RMB137.815 billion, representing a year-on-year decrease of 40.11%. The volume of bond underwriting by securities firms amounted to RMB5.68 trillion, representing a year-on-year increase of 24.56%.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### Industry Operation

In 2018, under the dual influences of the macroeconomic downturn and the deep adjustment of the capital market, the development of the securities industry was difficult. The industry showed a relatively obvious feature of stock-based competition and even decrement-based competition. Except that limited top securities firms maintained positive performance growth, most brokers' operation results showed a significant decline. According to the data of the Securities Association of China, the securities industry realized operating income of RMB266.3 billion, representing a year-on-year decrease of 14.5%, and recorded net profit of RMB66.6 billion, representing a year-on-year decrease of 41% in 2018.

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

The major assets of the Company include monetary assets, clearing settlement funds, margin accounts, financial assets held under resale agreements, long-term equity investment and financial investments. For details of the changes in the major assets during the Reporting Period, please refer to "II. Business Review – (I) Analysis of the principal businesses – 5. Analysis on principal components of consolidated statement of financial position" in Section IV "Report of the Board" of this report.

Overseas assets reached RMB27,337,147,550.81, representing 13.28% of the Group's total assets.

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

## III Analysis on Core Competitive Strengths During the Reporting Period

### (I) As the core financial services platform of the Everbright Group, the Company benefits from synergies within the Group and its brand advantage

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. In 2018, Everbright Group's medium and long-term development strategy was established and completed. It will implement three strategic transformations of "Agile, Technology and Ecology", promote the implementation of eight key strategic initiatives, promote the steady development of eight sub-businesses, and realize "Refining Finance, Optimizing Industries and Strengthening the Group", with the aim to create a world-class financial holding group with global competitiveness.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

With the brand advantage of Everbright Group, and as the core platform of financial services for the Group, the Company and the other subsidiaries of Everbright Group have carried out broad-based cooperation and collaboration in customer development, channel development, industry and finance integration, as well as business models, and achieved significant synergy. Meanwhile, with the broad platform and rich resources of Everbright Group, the Company can further broaden its horizons, gain insight into the trends of industry change and deepen the understanding of customer needs. This “soft power” is an important guarantee for Everbright Securities to develop its business and establish a sustainable development strategy. Under the new medium and long-term strategy, Everbright Group will gradually create a collaborative ecosystem open to the market and based on Everbright’s strategic business units, build a collaborative and open E-SBU development model, and establish six E-SBUs, namely wealth, investment, investment banking, environmental protection, tourism and health. The E-SBU strategy will become an important starting point to give full play to the synergetic advantages of the Group, which will help the Company integrate resources and expand the market in a larger scope, and promote the better development of existing businesses.

### (II) Generates high synergies across business lines, based on a strong core business platform

Having been established for 23 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 263 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 demands.

### (III) Serves as a 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. In recent years, the Company’s income attributable to the overseas business has always been among the forefront of the industry. In 2018, Everbright SHK Kai achieved outstanding results in various business segments and was honored with various awards, including the “Securities Firm of the Year” Excellence Award, Excellent Wealth Management Platform, Excellent Digital Innovation and Outstanding Enterprise Financing in the financial institution category from Bloomberg Businessweek (Chinese edition). In the “Sing Tao Service Awards” awarding activity sponsored by Hong Kong Sing Tao Daily, Everbright SHK won the “Best Securities Company” award for 9 consecutive years.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### (IV) Remains the industry pioneer with its 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 created bottom-up innovation atmosphere by establishing internal incentive mechanisms such as innovation award and “Golden Idea” award. During the Reporting Period, the Company innovatively completed the first “shelf offering” of corporate bonds, the first CMBN project that does not rely on the corporate credit, and the first quasi REITs project with active management nationwide. The “EAM-EBA Phase 1-X Commercial Property Asset-blocked Special Programme” of Everbright Asset Management (a subsidiary of the Company, as the programme manager), which was the first commercial shelf REITs under the real estate fund model and the first shelf REITs with a shopping mall as underlying assets nationwide, was considered and approved by Shenzhen Stock Exchange, demonstrating strong product innovation significance and industry demonstration effect. In recent years, the Company vigorously strengthened the financial technology layout, and empowered business development with technology innovation. Upon the launch of “Robo-advisor Matrix (智投魔方)”, an intelligent investment advisory system, the Company has established a value-added products sale and service mode based on “Robo-advisor Matrix”. With the roll out of the value-added service platform, we have opened up the channel to generate revenue through online products and services, improved the coverage and efficiency of customer service, and developed a new business revenue model for the Company. At the same time, the Company adhered to the strategic concept of science and technology leading development, and actively promoted the implementation of financial technology strategic planning. On the one hand, the Company engaged a well-known IT consulting firm to help optimize the financial technology strategy; on the other hand, the Company fully promoted the in-depth integration of science and technology with operating management, in an effort to improve the digital level of operating management.

### (V) 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. In 2018, the Company facilitated the “de-bureaucracy” reform in line with its strategic development plan, which has further streamlined the management structure and expanded management responsibilities, improved organizational operation efficiency, and effectively stimulated the vitality of the team and improved its productivity while optimizing the organizational structure. The Company also optimized the MD system and the remuneration system, further tapping into its human resource strengths.

## SECTION IV REPORT OF THE BOARD

The Board hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2018. All relevant sections of this report referred to in this Report of the Board form part of this Report of the Board.

### I Discussion and Analysis on Business Operation

In the face of complicated and intricate external situation, the Company, under the strong leaderships of the Board, closely focused on its strategic objectives and adhered to the fundamental principle of “pursuing progress while ensuring stability”. Against the market pressures, the Company has promoted the steady development of operation and management by strengthening its advantage business, making up the shortcomings of business and promoting the reform and transformation in an orderly manner. However, under the background of a significant year-on-year decline in revenues and profits across the industry and affected by individual risk events, all financial indexes of the Company in 2018 have significantly declined as compared to those of last year. The Company recorded income and other gains of RMB13.483 billion in 2018, representing a year-on-year decrease of 8.66%; and a net profit attributable to shareholders of the listed company of RMB103 million, representing a year-on-year decrease of 96.57%. Without taking into account of the influence caused by the special risk events of Everbright Capital and other events, the net profit attributable to shareholders of the listed company amounted to RMB1.347 billion, representing a year-on-year decrease of 55.34%. In the industry, the Company ranked 11th in total assets, up by one as compared to 2017, ranked 11th in net assets, ranked 13th in operating revenue. The Company has obtained Class A rating in securities company classification rating activities for four consecutive years, and has been awarded the “Top 500 Asia Brand” and the “Top 500 China Brand” for four consecutive years. Moreover, the Company has won the “Best Domestic Investment Bank” from New Fortune continuously, and was honored as “Top 500 Best Employers of the World in 2018” by Forbes.



## SECTION IV REPORT OF THE BOARD

### II Business Review

#### (I) Analysis of the principal businesses

##### 1. Segment revenue and segment expenses

Table 1 Table of the principal businesses by segments

Unit: RMB'000

Item	2018				2017			
	Segment revenue		Segment expenses		Segment revenue		Segment expenses	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Brokerage and wealth management business	2,509,182	19%	2,095,681	16%	3,378,711	23%	2,407,290	22%
Credit business	3,586,780	27%	2,452,737	19%	3,391,552	23%	1,730,016	16%
Institutional securities services	2,722,223	20%	2,076,923	16%	3,090,744	21%	1,719,649	16%
Investment management business	2,162,124	16%	2,861,161	22%	2,409,731	16%	1,420,918	13%
Overseas business	1,684,716	12%	1,677,765	13%	1,567,551	11%	1,833,312	17%

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

## SECTION IV REPORT OF THE BOARD

### 1. *Brokerage and wealth management*

The brokerage and wealth management business segment comprises securities brokerage business, wealth management business, Internet finance business and futures brokerage business. In 2018, this business segment realized income and other gains of RMB2.509 billion, accounting for 19% of the Group's total revenue.

#### (1) Securities and brokerage business

##### Market environment

In 2018, the securities brokerage business faced a severe market situation, and the trading volume continued to decline throughout the year, running at a low level. The aggregate daily average market trading volume of stocks and funds was RMB411.5 billion, a decrease of 17% from the end of 2017; the AUM by custody of securities clients recorded a net decrease from the end of the previous year; the commission rate of brokerage business in the industry further declined, and the revenue and profit of brokerage business decreased year-on-year.

##### Operation initiatives and results

In 2018, the Company highlighted its return to the original source of brokerage business, strictly adhered to the bottom line of compliance and risk control, continued to consolidate its business foundation, and continued to promote business transformation and development. The Company also established a multi-angle and wide-system customer service system by taking various measures, and strived to provide quality investment services to customers through various means such as transactions, information, products, etc., and vigorously promoted the development of basic businesses such as new accounts, new high-net-worth customers, and new customer assets. In addition, the Company deeply promoted the transformation to the direction of wealth management, expanded the scale and revenue of agency sales business; further improved the layout of key market outlets, and strengthened the offline business layout. At present, the Company had 14 branch companies and 263 securities branches, 41 of which were newly established. The number of the newly opened accounts increased by 10% as compared to 2017. The market share of net income from securities trading on behalf of customers increased by 2 percentage points as compared to the end of 2017, climbing one place higher in the market ranking. Among revenue from branches, the proportion of revenue from the transformation business increased by 3.9%, and the wealth management transformation strategy has made smooth progress.

## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, the brokerage business of the Company will, based on the strict compliance defense line, continue to transform from traditional channel business to wealth management business, and strengthen basic business such as customer introduction and asset introduction, and strive to improve customer services. The Company will also leverage the synergy within the Everbright Group to promote broader and deeper development of its brokerage business, and provide quality services with more Everbright characteristics.

### (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 initiatives and results

In 2018, with a focus on the core objective of building 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”, the wealth management business segment has built three major wealth management brands, namely “Golden Sunshine Wealth Management Plan”, “Investment Advisor Elite Program” and “Everbright Fortune Club Investor Report Meeting” by focusing on the three core tasks of content production, professional training and investment advisory service. The wealth management business segment continued to push forward the construction of the retail customer service system, covering customer classification and grading, consulting service system, financial product system, service team, service measures, service platform, service standardization, and the comprehensive development of implementation and supervision. By doing so, the Company aims to promote the transformation of branches into wealth management in an all-round way, and create more value for customers through professional services and asset allocation capabilities of investment advisors.

## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, the Company's wealth management business will continue to optimize customer tiering and product service systems, strengthen financial technology, and improve online and offline channels. Focusing on the three major wealth management brands, namely "Golden Sunshine Wealth Management Plan", "Investment Advisor Elite Program" and "Everbright Fortune Club Investor Report Meeting", the wealth management business will also strive to enhance the professional competence and asset allocation ability of the Company's investment advisors.

### (3) Internet finance business

#### Market environment

In recent years, financial technology is reshaping the traditional business models of securities firms. The leading securities firms continue to improve their market competitiveness through investment in financial technology and product development. On the one hand, they constantly optimize and upgrade their Internet platforms to improve customer experience. On the other hand, they keep strengthening product development 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 initiatives and results

In 2018, the Company improved and enriched the functions and contents of "Golden Sunshine APP", which greatly improved the user experience and user loyalty. According to the statistics of Analysys (易觀千帆), "Golden Sunshine APP" had 1.46 million average monthly active users in 2018. "Golden Sunshine APP" also won a comprehensive score of "four-and-a-half-star" in the fourth session of APP Evaluation of Securities Firms hosted by Sina.com, which is in the forefront of the industry. "Robo-advisor Matrix (智投魔方)" has been further optimized, and has provided customers with a variety of intelligent services by launching portfolios, information, tools and other products. Based on the construction of a big data and accurate marketing platform, the Company's Internet platforms continued to deepen the support to brokerage and wealth management business through product image, customer image, recommendation strategy and other data products services.

## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, the Company's Internet finance business will focus on retail branches and retail customers and provide branches and retail customers with multi-dimensional and in-depth functions and services by making a well-established tool, strengthening its operation and solidifying the introduction. The Company will carry out online and offline integrated product operations, strengthen in-depth service to existing customers as well as online and offline collaboration, and focus on effective service to new customers. Moreover, through the integrated services closed-loop consisting of labeling system, data services, marketing services, the Internet finance business will also support brokerage and wealth management business in customer tiering and classification services, and collaborate and promote the service upgrading of large retail customer service system.

### (4) Futures brokerage business

#### Market environment

In 2018, focusing on the original source of serving the real economy, the futures industry has achieved rapid development and increased variety innovation. With the listing of crude oil futures, introduction of overseas traders in iron ore futures and PTA futures and relaxation of the shareholding ceiling to foreign-invested futures companies, the domestic futures market has formed a new pattern of comprehensive opening up. At the end of the year, the temporary trading restrictions on stock index futures were further loosened and the normalized trading was gradually resumed. However, the competition in the industry has become increasingly fierce, and the traditional brokerage business has experienced decline at varied degrees. In 2018, the trading volume and turnover of the whole futures market decreased by 1.54% and increased 12.20% respectively as compared to the previous year.

## SECTION IV REPORT OF THE BOARD

### Operation initiatives and results

In 2018, facing a variety of pressures, Everbright Futures actively responded and adapted to changes, vigorously improved the brokerage business level, and focused on developing innovative businesses such as asset management and risk management by breaking the bottleneck of institutional business development and trying international development routes, its overall business operation has achieved steady progress. In 2018, Everbright Futures recorded a daily average margin of RMB9.97 billion, with its trading volume representing a market share of 2.21%. As at the end of 2018, the trading volume of Everbright Futures represented 3.05%, 1.06%, 3.29%, 3.09% and 0.88% of the total trading volume of China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and the Energy Center, respectively. Its cumulative trading volume of SSE 50ETF stock options for the year represented a market share of 3.83%, ranking 4th among futures companies and 8th in the whole market.

### Outlook for 2019

In 2019, Everbright Futures will further enhance its resource integration capabilities and adaptability to changes, adhere to the original source of futures brokerage business, comprehensively solve the difficulties in institutional and asset management business, vigorously develop the business of risk management subsidiaries, and accelerate the Company's innovation and transformation. Everbright Futures will also solidly promote international development and implement the overseas market layout at an early date by grasping the new opportunities for the normalization of stock index futures trading and the listing of new varieties. In addition, Everbright Futures will carry out in-depth collaboration and build a comprehensive risk management and wealth management platform to enhance its ability of serving the real economy and to make the brand of Everbright Futures stronger.

## SECTION IV REPORT OF THE BOARD

### 2. *Credit business*

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In 2018, this business segment realized income and other gains of RMB3.587 billion, accounting for 27% of the Group's total revenue.

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

##### Market environment

In 2018, the A-share market was in a downturn, the trading activity dropped sharply, and the scale of credit business in the whole market shrunk. As at the end of 2018, the balance of margin financing and securities lending in the whole market was RMB755.704 billion, representing a decrease of 26.4% as compared with the end of 2017, among which the balance of margin financing and securities lending was RMB748.981 billion and RMB6.723 billion respectively, representing a decrease of 26.7% and an increase of 49.2% as compared with the end of 2017 respectively.

##### Operation initiatives and results

In 2018, the Company focused on high-net-worth customers and institutional customers by taking active and effective operating measures, and achieved a steady increase of the market share in margin financing and securities lending business. The Company also comprehensively sorted out the business, consolidated the business foundation, and actively and steadily resolved and eliminated business risks. As at the end of 2018, the balance of margin financing and securities lending of the Company was RMB22.504 billion, representing a decrease of 25.3% as compared with the end of 2017, accounting for a market share of 2.98%, representing an increase of 1.7% as compared with the end of 2017, and the Company ranked 11th in the market at the end of March in 2018 according to the latest information released by the stock exchange. As at the end of 2018, the balance of securities lending was RMB0.263 billion, representing a market share of 3.91%, and the Company ranked 4th in the market at the end of March in 2018 according to the latest information released by the stock exchange.

## SECTION IV REPORT OF THE BOARD

### (2) Collateralized stock repurchase transactions

#### Market environment

In 2018, as the formal implementation of new regulations on collateralized stock repurchase and asset management, securities companies have been under tremendous pressure to carry out collateralized stock repurchase business. With the continuous decline of stock index, the risk exposure of collateralized stock repurchase transactions became greater, and collateralized stock repurchase transactions in the whole market were continuously 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 2018 was RMB1,165.913 billion, representing a decrease of 25.27% as compared with the end of 2017. In particular, the lending of securities firms' proprietary funds amounted to RMB618.107 billion, representing a decrease of 24.61% as compared with the end of 2017 and 53.01% of the total collateralized stock repurchase transactions. As at the end of 2018, with the launch of a series of policies such as the bail-out fund, the risk of collateralized stock repurchase business was relieved and the overall market risk was controllable.

#### Operation initiatives and results

In 2018, the Company closely followed the market and the business, focused on the major shareholders and controlling shareholders of listed companies, strengthened counter-cyclical management, and continuously optimized the structure of collateralized stock repurchase business. At the same time, the Company strictly controlled the entry and quality of projects, and further improved the due diligence, quality control, post-loan management level, risk prediction and disposal capabilities, in order to reduce business risks. The risks of the collateralized stock repurchase business remained generally controllable, and the risk is lower than the industry average. As at the end of 2018, the balance of collateralized stock repurchase transactions of the Company was RMB35.670 billion, representing a decrease of 19.4% as compared with the end of 2017. In this regard, the market share was 3.06%, representing an increase of 12.5% as compared with the end of 2017. As at the end of 2018, the weighted average coverage ratio of collateralized stock repurchase transactions of the Company was 182.40%.



## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, the credit business 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 major shareholders and controlling shareholders of listed companies for collateralized stock repurchase business. At the same time, the Company 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 relatively strong resilience and is expected to maintain the healthy and rapid growth momentum.

#### Operation initiatives and results

In 2018, in the face of many changes such as the decline in market demand and the increase in business risks, Everbright Leasing proactively responded and adapted to challenges, 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 various businesses have been actively carried out, financing channels become more diverse, and professional transformation is effective. Focusing on the two major products of leasing and factoring, Everbright Leasing has initially achieved the “one body and two wings” layout, and has explored mature financial leasing business models such as aircraft leasing, vessel leasing, production equipment leasing, automobile leasing, medical equipment leasing, power equipment leasing as well as trade factoring, engineering factoring, etc.. In 2018, Everbright Leasing completed investment in a total of 46 new projects with annual investment amount of RMB2.7 billion. Everbright Leasing cumulatively completed investments with a total investment amount of RMB12.4 billion and cumulatively generated rent of RMB6.9 billion.

## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, Everbright Leasing will continue to tighten its main business lines of professional operation, adhere to the thinking of investment banks, continue to deepen the “one body and two wings” layout, strengthen leasing and factoring business, improve the investment-banking comprehensive financial business, and establish its distinctive brands, strengthen risk management and deepen industrial customers, in a drive to serve the real economy.

### 3. *Institutional securities services*

The institutional securities business segment comprises investment banking, institutional trading, private placement business, investment research and proprietary trading businesses. In 2018, the institutional securities services segment realized income and other gains of RMB2,722 million, accounting for 20% of the Group's total revenue.

#### (1) Investment banking

##### Market environment

In 2018, the equity financing market was severe. According to the statistics from Wind Info, the total amount of the proceeds raised from equity financing in 2018 was RMB1.21 trillion, which decreased by 29% as compared to the previous year. The amount of the proceeds raised from IPOs was RMB137.8 billion, decreasing by 40% as compared to the previous year. With a sharp slowdown in IPOs approval and issuance, the number of IPOs in the full year was 105, which decreased by 76% from last year. The proceeds raised from refinancing was RMB752.4 billion, representing a decrease of 41%. Merger and acquisition transactions approved throughout the year also declined.

In 2018, subject to the macro requirement of “holding on the bottom line of no occurrence of systemic financial risks” and the influence of deleveraging policy, the market liquidities tended towards tight. The structure of bonds market differentiated obviously so that the issuance of low rating bonds became straitened, leading to high issue costs and cancellation of issues frequently. In the second half of the year, the state launched a series of policies and initiatives to relieve the difficulty in financing for private enterprises, guarantee the normal financing needs of urban construction companies, and enhance the operation of various policy tools of the Central Bank, which improved liquidities in the market moderately. In 2018, the size of bond underwriting by securities firms was RMB5.69 trillion, up by 24.78% from the previous year.

## SECTION IV REPORT OF THE BOARD

In 2018, the size of the NEEQ market continued to shrink, as the growth of quoted companies slowed down, the number of quoted companies decreased significantly while that of delisted enterprises ever increased. The volume of market-making transactions on the NEEQ showed a steady decline, the market making business was dull. The financing scale in the market decreased obviously.

### Operation initiatives and results

In 2018, facing significant changes in the external environment, the Company deepened the reform of the investment banking line, and strives to improve the line's operating efficiency, market competitiveness and ability to serve big customers. The Company expanded key regional markets for creating an investment banking ecological environment; in close line with the market situation, explored innovative businesses to serve corporate customers and develop business pipelines.

In 2018, as the Company proactively increased its business scale based on effective risk controls, the size and ranking of bond underwriting improved against the unfavorable trend. According to Wind Info, in 2018, the Company completed a total of 618 bond underwriting projects, representing a year-on-year growth of 97.44% in terms of the volume. The bond underwriting amount aggregated to RMB318.080 billion, representing year-on-year growth of 58.85% and a market share of 5.63%, with a ranking at No. 5 in the market, 2 places higher than the end of last year. In the meantime, the Company continuously optimized the product structure of bond underwriting business, and by putting more efforts in developing innovative business, expanded the asset securitization business. The Company completed 125 asset securitization projects, with a underwriting size of RMB153.491 billion, representing a 2.9 times increase year-on-year and a market share of 7.81%, thus ranking No. 3 among securities firms in the market, up by 6 places from the end of last year. The Company innovatively completed the first issue of shelf corporate bonds, the first CMBN project that does not rely on entities' credit, and the first quasi-REITs project of active management across the nation. The Company won two awards, namely "Outstanding Underwriter" and "Excellent Trust Manager" given by the SSE for successive three years.

## SECTION IV REPORT OF THE BOARD

In 2018, the Company completed securities underwriting for six companies with a market share of 1.05% and ranked No. 22 in the market. The underwriting amount of equities amounted to RMB8.121 billion with a market share of 0.71%, ranking No. 25 in the market. Among them, the Company completed IPO underwriting for one company, with an underwriting amount of RMB430 million. The Company completed refinancing transactions for five companies, underwriting amount reaching RMB7.691 billion, and completed mergers and acquisitions and reorganization transactions for six companies. The Company increased its equity financing project pipelines. According to the statistics from Wind Info and the Company itself, as at the end of 2018, the Company had five approved equity related projects pending for closing; 21 lead underwriting project pending for approval, 12 of which were IPO projects, ranking No. 6 in the industry; also pending approval were three refinancing projects as well as three mergers and acquisitions or reorganization projects.

As of the end of 2018, the Company had recommended a total of 263 companies to go listed on the NEEQ as the lead sponsor, ranking 14th in the industry. There were eight companies whose shares are newly quoted on the NEEQ with the Company's recommendation, representing a total financing size of RMB1.254 billion. As of the end of 2018, the Company provided market-making and quotation services for 72 NEEQ quoted companies, 34 of which entered the innovative level (a class of company listed on the NEEQ).

### Outlook for 2019

In 2019, the Company will, in line with the reform of the investment banking, improve the construction of business division systems, and comprehensively promote the balanced development of IPO refinancing, merger and acquisition and reorganization businesses. The Company will further concentrate on developing key regional markets, vigorously support the development of the industry division, establishing competitive advantages of the investment banking. It will strengthen follow-up researches on the establishment of the science and technology innovation board and its registration system pilot as well as the reform of the NEEQ board, further promoting the preparatory work of the science and technology innovation board. The Company will reserve high-quality projects, and explore potential projects for the science and technology innovation board, consolidating, expanding and optimizing the investment banking ecosystem.

## SECTION IV REPORT OF THE BOARD

In 2019, the Company will continue to implement key account strategy, strengthen the internal synergies and collaboration within Everbright Group, increase high-quality project pipelines, improve the proportion of innovative products, and further boost the efficiency of bond financing business. Focusing on reserving and promoting high-grade credit bond projects, the Company will optimize the product structure of underwriting business. It will continue to expand asset securitization and corporate bonds and other business types. The Company will develop innovative products such as green bonds, poverty-alleviation bonds and bailout bonds, and actively participate in “Belt and Road” initiative and the issuance of local government bonds. The Company will strengthen the follow-up management of bond projects during the duration to prevent credit default risks.

### (2) Institutional trading

#### Market environment

In 2018, the trading volume of mutual funds of the whole market dropped by 2.92% as compared to the previous year. While continuing to innovate traditional business methods, various securities brokers actively promoted internal business linkages to meet the diversified needs of customers, which made the market competition of mutual funds in sub-sectors more intense.

#### Operation initiatives and results

In 2018, with the implementation of refined management, establishment of institutional customer service system, discovery of potentials of agency sales business, promotion of international business development, and enrichment of proprietary fund investment and innovation of business content, the level of the Company's institutional services has improved significantly, and the ranking of research and proportions of various business have increased dramatically. In 2018, the Company achieved an internal share of 3.46% in sub-sectors of funds, representing an increase of 8.68% as compared to the previous year, the ranking achieved a historic breakthrough, stepped into the top ten and ranked 7th in the industry for the first time; the market share of net income from seat commission was 3.90%, representing an increase of 4.56% as compared to the previous year.

#### Outlook for 2019

In 2019, the Company will use scientific positioning, optimized layout and focused marketing, to seek breakthroughs in performance improvement. At the same time, we will continue to discover the potentials of agency sales of funds and promote the continuous improvement of non-traditional businesses.

## SECTION IV REPORT OF THE BOARD

### (3) Private fund business

#### Market environment

In 2018, under the guidance of regulatory policies, the private equity industry adhered to the development direction of the original source, and constantly improved the industry self-discipline management and service system, so that the quality of private fund managers was effectively improved. With the continuous improvement of compliance development awareness in the industry, the entire industry is entering a virtuous circle of steady development. In addition, the development direction of the PB business has been expanded with the promulgation of the “Administrative Measures for Wealth Management Subsidiaries of Commercial Banks”.

#### Operation initiatives and results

In 2018, the Company clarified the business strategy of developing commercial banks and large private funds as its major customers, and comprehensively sorted out five key businesses such as agency sales, incubation, investment research, system and evaluation, and continuously enhanced its core service capabilities. As of the end of 2018, the Company had partnered with a total of 799 private equity institutions, representing a year-on-year increase of 14%; introduced a total of 1,913 PB products, representing an increase of 34% as compared to the previous year; there were 1,263 existing PB products, representing an increase of 14% as compared to the previous year; the new PB products filed for approval reached RMB103.9 billion, representing an increase of 13% as compared to the previous year; the size of existing PB products amounted to RMB204.5 billion, representing an increase of 34% as compared to the previous year; and introduced 18 new private fund managers for seed fund, representing an increase of 125% as compared to the previous year.

#### Outlook for 2019

In 2019, the Company will continue to focus on developing banks and high-frequency quantitative private funds as its major customers, fully grasp the needs of customer business transformation, and use fundraising, investment research and systems as the three driving factors to expand PB business. The Company will also strengthen the cooperation with leading private institutions, improve the level of investment research and decision-making and improve the technical solutions of on-floor transactions while establishing the service influence of the Company's PB business by brand building.

## SECTION IV REPORT OF THE BOARD

### (4) Investment research business

#### Operation initiatives and results

In 2018, adhering to the principle of objectivity, independence and professionalism and focusing on “developing Everbright branded research products”, the Company held two large investor strategy conferences and certain large and medium-sized investor forums. Throughout the year, the Company released a total of 5,207 research reports, provided 13,921 roadshow services, 907 joint researches, and conducted a number of cross-industry and cross-region joint researches, teleconferences, salons and other investment research services. As of the end of 2018, the Company tracked and researched 514 A-share listed companies, 111 NEEQ-listed companies and 105 overseas listed companies. Through these research activities, the Company has enriched its research capabilities and achieved full coverage of the research field. In 2018, the Company won 44 awards totally, including Crystal Ball, Golden Bull Award and Wind Gold Analyst. The Company also further improved the research support system for its business lines.

#### Outlook for 2019

In 2019, the Company will continue to develop product types, improve service quality, and gradually create a unique positioning of “cross-market and cross-category asset allocation advisory capabilities driven by macro-capacity” in the investment research business, in order to provide customers with high quality investment research services.

### (5) Securities proprietary trading business

#### Market environment

In 2018, under the effects of certain factors, such as a slowdown in the growth of domestic economy, Sino-US trade friction and deleveraging, as well as difficulties in financing faced by private enterprises, A share capital market weakened generally. During the year, major indexes fell sharply with the SSE Composite Index, CSI 300 Index and Growth Enterprise Index drop by 20.84%, 21.29% and 24.15% as compared with that of the beginning of this year, respectively. The capital market lacked highlights in structure and the turnover remained depressed. The trend of bond market differentiated obviously, returns on rate securities and high-grade credit bonds significantly decreased while medium- and low- grade credit bonds market encountered with weak supply and demand, as well as many events of default. The scale of OTC option business in the entire market pulled back from highs. Security companies of AA rating and A rating proactively apply for the qualifications to carry out OTC option business.

## SECTION IV REPORT OF THE BOARD

### Operation initiatives and results

In 2018, the Company's equity investments focused on the scope of investment by optimizing the processes of investment and research, positioned at medium- and long-term stable compound revenues, continued to select investments carefully and improved the position structures. As for the market-making of China depositary receipts and cross-border conversion business under Shanghai-London stock connect system, the Company has been actively preparing and has passed the relevant business review by the exchange. For fixed-income investments, we capitalized on the opportunity when the risk-free interest rate on the market declined and achieved better investment returns. Meanwhile, the Company optimized its portfolio of quality corporate bonds with mid-to-high ratings while keeping its credit risks in control. The size of the commodity-based OTC options business increased significantly, and the approval on the filing of secondary dealers of OTC options business approved by Securities Association of China was obtained. The Company proactively applied for the qualification of cross-border business.

### Outlook for 2019

In 2019, in terms of equity investments, the Company will continue to put efforts in the refined management and capacity building of investment research teams, seize market opportunities to raise investment returns, and continue to promote businesses in relation with Shanghai-London stock connect. In terms of fixed-income investments, the Company will enhance strength and depth of market research, grasp the market trend, seize the market band investment opportunities, and continue to strictly control the credit risk. The Company will actively prepare and carry out market making and proprietary trading business of Exchange-traded options. The Company will deeply explore institutional clients and vigorously develop OTC options and structured notes business that meet the needs of risk management.



## SECTION IV REPORT OF THE BOARD

### 4. *Investment management business*

The investment management business includes the asset management business, fund management business, private equity investment business, alternative investment business and PPP business. In 2018, the segment realized income and other gains of RMB2.162 billion, accounting for 16% of the Group's total revenue.

#### (1) Asset management business

##### Market environment

In 2018, with the formal implementation of new regulations and rules on asset management, the asset management industry has been further regulated strictly with increasing competition. The industry is in the period of shrinking for adjustment. The scale of channel asset management of securities firms continued to shrink due to the ongoing dechanneling and deleveraging policies. Asset management business of securities firms and the existing business of their partners are all under huge pressure on restructuring with more difficulties in developing incremental business, thus finding the business growth arena based on its own resources and strength and seeking diversified competition has become the new issue of the asset management industry.

##### Operation initiatives and results

In 2018, Everbright Asset Management, based on its foundation of asset management, has continued to deepen reformation on investment research system, enhanced active management capabilities and improved products performance; meanwhile, put more into financing business, expanded institutional clients; conducted self-inspection on compliance of existing products, and adhered to the compliance and steady operation. It achieved a steady growth in assets under management(AUM) during this year. As at the end of 2018, the total AUM of Everbright Asset Management amounted to RMB289.755 billion, representing an increase of 5.60% from the beginning of the year. The assets under active management reached RMB154.225 billion, representing an increase of 33.98% from the beginning of the year and accounting for 53.23% of the total AUM. It completed 17 securitized projects as manager with an aggregate issue size of RMB35.838 billion in 2018.

## SECTION IV REPORT OF THE BOARD

Table 1: The size of each kind of products under asset management business and YoY percentage changes

Product types	AUM	YoY percentage changes compared to the end of 2017
Collective Asset Management Schemes	RMB74.519 billion	+4.08%
Designated Asset Management Schemes	RMB175.391 billion	-10.33%
Specific Asset Management Scheme	RMB39.845 billion	+453.40%
Total	RMB289.755 billion	+5.60%

### Outlook for 2019

In 2019, Everbright Asset Management will proactively comply with the new trend of the industry, seize the time to regulate existing business as required by regulatory requirements and proactively assume the mission to provide financial services spanning the real economy, respond to national strategic call, further enhance the capabilities of investment and research, make a stable and well-established products under active management in the principal of customer-centric, improve our investment management capabilities and product sales capabilities, improve investment and financing integration model, in order to adapt to the different needs of customers, to create differentiated brand features.

## SECTION IV REPORT OF THE BOARD

### (2) Funds management business

#### Market environment

In 2018, the mutual fund sector remained in a stable growth, and the size of mutual asset management continued to achieve a relatively high growth rate. According to the statistics from Wind Info, as at the end of 2018, the AUM of mutual funds amounted to RMB13.0 trillion, including ETF feeder funds, representing a year-on-year increase of 12.0%, of which the money market funds sustained a growth which is a key to keep a stable growth rate in the industry scale. The launch of hot funds in the mutual fund sector vitalized the development of the industry.

#### Operation initiatives and results

In 2018, Everbright Pramerica proactively facilitated a stable development of each of business in strict compliance with regulatory requirements, which has given a rise to the continued increase in AUM. It insisted to drive its businesses with investment research, continued to enhance the development of investment and research system and the ability to invest and research, and further improve the assess system of investment and research. It has continuously adjusted its policies of fund sales and proactively improved existing fund products to cater for the demand of customers. While further expanding channels of long-term cooperation, Everbright Pramerica endeavoured to expand strategic customers and the cooperation with emerging channels, such as internet platforms. As at the end of 2018, the AUM of Everbright Pramerica (totaling mutual and specific funds) amounted to RMB120.683 billion, representing a year-on-year increase of 11.9%, of which the AUM of mutual funds amounted to RMB93.752 billion, representing a year-on-year increase of 25.4%. As at the end of 2018, the net asset value of Everbright Pramerica ranked No. 26 in the industry rankings, without taking into account the money market funds, raising 4 places as compared with the rankings of 2017.

#### Outlook for 2019

In 2019, in the ever evolving and changing market environment, Everbright Pramerica will continue to strengthen active management capability, improve professional standards of investment and research, cultivate features of equity investment, fixed-income investment and quantitative investment; proactively respond to market changes, provide product solutions, establish “famous brands” in asset management sector; proactively promote products, expand new sales model; accelerate the transformation of subsidiaries with special account, and develop unique business.

## SECTION IV REPORT OF THE BOARD

### (3) Private equity investment business

#### Market environment

In 2018, the market environment of private equity fund sector became more normative and rational. Under the effects of new policy on asset management, securities firms will experience certain 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 initiatives and results

In 2018, according to regulatory requirements, Everbright Capital strictly implemented the standards of the industry, properly dealt with specific risk, and steadily strengthened the foundation of business. In terms of existing business, it proactively carried out active management, press ahead the withdrawal of direct investment projects and founds project; in terms of incremental business, Everbright Capital and DuZhe Media jointly initiated to establish Gansu Duzhe Everbright Emerging Industry Mergers and Acquisitions Fund(甘肅讀者光大新興產業併購基金). As at the end of 2018, Everbright Capital has operated 4 fund management companies and there were 22 funds managed or participated by Everbright Capital with a total paid-up capital of RMB14.416 billion.

#### Outlook for 2019

In 2019, Everbright Capital will establish specialized system of "Fund raising, investment, management, withdrawal" under preconditions of enhancing compliance risk control awareness, on the basis of developing major products, such as funds for industry development, projects funds and funds for acquisition by listed companies, will improve the operational management on direct investment projects and existing funds, and proactively carry out the business of new funds, further enhance internal control management and continue to proactively and properly deal with the special risk.

## SECTION IV REPORT OF THE BOARD

### (4) Alternative investment business

#### Operation initiatives and results

In 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 2019

In 2019, Everbright Fortune will continue to focus on equity investment in key areas such as tourism, biomedicine, big data, communication and Internet technology, explore high-quality enterprises of medium and early stage and quasi-unicorn enterprises; plan to take part in investments in merger and acquisition and industry reorganization, to conform to the changes in listing policy on IPO and the investment environment, as well as focus on expanding PE project investments of science and technology innovation board.

### (5) PPP business

#### Market environment

In 2018, with the implementation on Circular of Cai Ban Jin [2017] No. 92, stringent requirements were imposed on the development of domestic PPP business, and with the implementation on Circular of Guo Zi Fa Cai Guan [2017] No. 192, the difficulties to raise fund for PPP projects has increased significantly and the transacted amount of PPP business decreased significantly as compared to last year.

#### Operation initiatives and results

In 2018, collaborating with the parent company, Everbright Development proactively explored the entry point of combining fund and standardized business. As at the end of 2018, Hebei Transportation Investment's ABN project has obtained Letter of Acceptance of Registration issued by the National Association of Financial Market Institutional Investors.

## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, Everbright Development will focus on securitization of the high-quality customers' existing assets, renewal projects in Guangdong-Hong Kong-Macao Greater Bay Area and first- and second-tier core cities; will proactively promote the implementation of pipeline projects by further optimizing product structure designs to serve the needs of customers; further enhance the ability to analyze the assets for urban renewal projects, explore into favorable transaction structure from strong subject to strengthened asset management; further expand existing high-quality customers, improve the links to capital, strengthen internal linkages, optimize cooperation system, and improve the efficiency for business development.

### 5. Overseas business

In 2018, this business segment realized income and other gains of RMB1,685 million, accounting for 12% the Group's total revenue.

#### Market environment

With the introduction of the new regulations on reformation, such as "weighted voting rights", there is a significant increase in the IPOs on HKEx and there is a total of 218<sup>1</sup> enterprises listed on the exchange in 2018, with total financing of HK\$286.5 billion. As a result, HKEx has resumed its global top position in 2018, two years after 2016. Affected by the external factors, Hong Kong security market saw a significant fluctuation, and Hang Seng Index declined by 13.61% during the year; the average transaction amount decreased significantly, average daily turnover was HK\$126.6 billion for the first half of the year and HK\$88.2 billion for the second half of the year, reflecting that the sentiment of investment getting more cautious.

#### Operation initiatives and results

In 2018, our Hong Kong subsidiary took the collaborative advantage of domestic and abroad, boosted the platform integration, proactively expanded various business, gradually spread its influence to Hong Kong security market, and further speed up the progress of internationalization of overseas business.

<sup>1</sup> including listed company transferred from GEM to Main Board.

## SECTION IV REPORT OF THE BOARD

**Wealth management and brokerage business** continued to take positive transformation and to expand customer base. As of the end of 2018, total assets of clients amounted to HK\$127.0 billion, the total number of clients was approximately 138,000, representing a year-on-year increase of 4.5%, the market share of securities turnover was 0.33% and the balance of margin financing business reached HK\$10.829 billion. During the year, wealth management service “Asset Power” was introduced to high net worth customers, and our Hong Kong subsidiary was successfully listed in Private Banking Directory (頂級私人銀行名錄) published in 2018 annuals of South China Morning Post. It is the only non-banking financial institution on the list.

**The volume of corporate finance and capital market business** saw an increase, with steadily raise in market rankings. In 2018, total 8 H share sponsored projects have been completed, ranking 4th in the market; 16 underwriting projects has been completed, ranking 8th in the entire market; 2 financial advisory projects has been completed. In addition, our bond security market sector was created in the fourth quarter of the year, and has completed 6 U.S.-dollar bonds issuance and underwriting projects.

**Investment and structured financing business** continued to enhance project screening with risk control as prerequisite, and strictly monitored the post-investment management. As of the end of 2018, there were 8 equity and debt investment projects under operation at the same time, representing an investment amount of approximately HK\$1.97 billion, covering industries including TMT, new retail, health care, infrastructure and new energy resource, etc.

The total AUM of **asset management business**, comprising 18 fund products (including funds and special accounts), amounted to HK\$2.971 billion, of which HK\$1.140 billion came from the AUM of proactive asset management, representing a year-on-year increase of more than 8.84%.

In addition, during the Reporting Period, subsidiaries in Hong Kong has established strategic partner relationship with Stifel Financial Corp., which has improved oversea business layout, helped to expand the international sales and transaction network, and enlarged the global customer base.

## SECTION IV REPORT OF THE BOARD

### Outlook for 2019

In 2019, the overseas business of the Company will, subject to the strictly prevention and control of risk, seize the opportunities on the market and preserve strength for development. It will cultivate and develop core business, balance the strategic layout of entire business, deepen development of cross-border business, to achieve integration at home and abroad, as well as to develop a first-class oversea investment bank and comprehensive integrated wealth management platform.

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

Table 2 Major revenue items

Unit: RMB'000

Item	2018		2017		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission income	5,783,468	43%	6,714,916	45%	(931,448)	(14)%
Interest income	6,589,033	49%	5,128,883	35%	1,460,150	28%
Net investment gains	803,763	6%	2,494,639	17%	(1,690,876)	(68)%
Other income and gains	306,320	2%	422,797	3%	(116,477)	(28)%
<b>Total revenue and other income</b>	<b>13,482,584</b>		14,761,235		(1,278,651)	9%

In 2018, total revenue and other income of the Company amounted to RMB13.48 billion, representing a year-on-year decrease of 9%. In particular, fee and commission income amounted to RMB5.78 billion, representing a year-on-year decrease of 14%, which was mainly due to the impact of a year-on-year decrease in stock and fund trading volume amid a relatively inactive market in 2018 and thus a corresponding decrease in commission fees. Interest income amounted to RMB6.59 billion, representing a year-on-year increase of 28%, which was mainly due to adjusting the interest income from financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income calculated on the basis of the effective interest rate method from investment income to interest income according to the requirements. Net investment gains amounted to RMB800 million, representing a year-on-year decrease of 68%, which was mainly due to the same changes in interest income. Other income and gains amounted to RMB310 million, representing a year-on-year decrease of 28%, which was mainly due to the impact of decrease of agency service income and financial support.



## SECTION IV REPORT OF THE BOARD

Table 3 Major Expenditure Items

Unit: RMB'000

Item	2018	2017	Increase/decrease	
			Net amount	Percentage
Fee and commission expenses	872,158	1,091,297	(219,139)	(20)%
Interest expenses	4,871,907	3,883,383	988,524	25%
Staff costs	3,046,030	3,201,233	(155,203)	(5)%
Depreciation and amortization expenses	379,942	399,822	(19,880)	(5)%
Tax and surcharges	63,909	70,675	(6,766)	(10)%
Other operating expenses	1,738,361	1,669,174	1,469,187	4%
Provision for contingent liabilities	1,400,000	–	1,400,000	100%
Provision for impairment losses	103,662	451,282	(347,620)	(77)%
Credit impairment loss	678,792	–	678,792	100%
Total	13,154,761	10,766,866	2,387,895	22%

In 2018, total expenses amounted to RMB13.15 billion, representing a year-on-year increase of 22%. In particular, fee and commission expenses amounted to RMB870 million, representing a year-on-year decrease of 20%, which was mainly due to a decrease in stock and fund trading volume of brokerage business, leading to a decrease in sync with the decrease in fee and commission income. Interest expenses amounted to RMB4.87 billion, representing a year-on-year increase of 25%, which was mainly due to an increase in financing scale. Staff costs amounted to RMB3.05 billion, representing a year-on-year decrease of 5%, which was mainly due to a decrease in the performance-linked bonus. Tax and surcharges amounted to RMB63.9 million, representing a year-on-year decrease of 10%, which was mainly due to the decrease of taxable income. Provision for contingent liabilities amounted to RMB1.4 billion, which was mainly due to the provision for estimated liabilities resulted from MPS event for the Reporting Period. Provision for two impairment losses totally amounted to RMB780 million, representing a year-on-year increase of 73%, which was mainly due to the provisions for the impairment of financial assets held under resale agreements for the Reporting Period.

## SECTION IV REPORT OF THE BOARD

### 3. Cash flows

In 2018, the cash and cash equivalents of the Company recorded a net decrease of RMB360 million, of which:

Net cash used in operating activities amounted to RMB11.39 billion, mainly due to the increase in financial assets held under resale and the decrease in financial assets sold under repurchase agreements, partially offset by the decrease in margin accounts receivable.

Net cash generated from investing activities amounted to RMB4.58 billion, mainly due to the increase in interest income of other debt instruments, and the decrease in equity investments and investments classified as receivables.

Net cash generated from financing activities amounted to RMB6.44 billion, mainly due to the increase in the debt financing instruments issued for the Reporting Period.

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

Everbright Capital, a wholly-owned subsidiary of the Company, is principally engaged in private equity investment fund business. Everbright JinHui Investment Management (Shanghai) Co., Ltd. (光大浸輝投資管理(上海)有限公司) is a subsidiary of Everbright Capital. The investment duration of Shanghai JinXin Investment Consultancy Partnership Enterprise (Limited Partnership) (上海浸鑫投資諮詢合夥企業(有限合夥)) ("JinXin Fund"), of which Everbright JinHui serves as the executive partner, expired as at February 25, 2019. Due to the risk of the investment project, JinXin Fund failed to exit as originally planned. Based on the principle of prudence, the Company has made a provision for estimated liabilities of RMB1.4 billion and other asset impairment of RMB120,862,600, representing a decrease in the total consolidated profit of the Company for 2018 by approximately RMB152,0862,600 and a decrease in the consolidated net profit by approximately RMB1,140,647,000. For details, please refer to the Company's announcements of No. Lin 2019-008, No. Lin 2019-012 and No. Lin 2019-016.

## SECTION IV REPORT OF THE BOARD

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

Unit: RMB'000

Item	December 31, 2018		December 31, 2017		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
<b>Non-current assets</b>	<b>35,480,727</b>		29,970,001		5,510,726	18.39%
Property and equipment	800,043	0.39%	830,279	0.40%	(30,236)	(3.64)%
Goodwill	1,257,046	0.61%	1,199,675	0.58%	57,371	4.78%
Other intangible assets	436,214	0.21%	557,703	0.27%	(121,489)	(21.78)%
Interest in associates and joint ventures	1,096,310	0.53%	1,229,774	0.60%	(133,464)	(10.85)%
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 measured at amortized cost	7,606,011	3.70%	—	—	7,606,011	100.00%
Equity instruments at fair value through other comprehensive income	4,848,015	2.36%	—	—	4,848,015	100.00%
Debt instruments at fair value through other comprehensive income	7,945,473	3.86%	—	—	7,945,473	100.00%
Financial assets held under resale agreements	3,554,278	1.73%	5,530,800	2.69%	(1,976,522)	(35.74)%
Refundable deposits	3,186,808	1.55%	3,713,016	1.80%	(526,208)	(14.17)%
Deferred income tax assets	1,235,048	0.60%	503,160	0.24%	731,888	145.46%
Finance lease receivables	3,362,252	1.63%	5,092,231	2.47%	(1,729,979)	(33.97)%
Other non-current assets	153,229	0.07%	498,615	0.24%	(345,386)	(69.27)%
<b>Current assets</b>	<b>170,298,311</b>		175,894,364		(5,596,053)	(3.18)%
Accounts receivable	3,211,112	1.56%	3,113,373	1.51%	97,739	3.14%
Finance lease receivables	1,934,578	0.94%	577,613	0.28%	1,356,965	234.93%
Other receivables and prepayments	2,596,349	1.26%	4,177,813	2.03%	(1,581,464)	(37.85)%
Margin accounts receivable	30,337,928	14.74%	37,708,357	18.32%	(7,370,429)	(19.55)%
Available-for-sale financial assets	—	—	27,520,440	13.37%	(27,520,440)	(100.00)%
Debt instruments at fair value through other comprehensive income	453,406	0.22%	—	—	453,406	100.00%
Financial assets held under resale agreements	30,154,510	14.65%	14,550,244	7.07%	15,604,266	107.24%
Financial assets measured at amortized cost	296,870	0.14%	—	—	296,870	100.00%
Financial assets at fair value through profit or loss	57,649,338	28.02%	37,446,511	18.19%	20,202,827	53.95%
Derivative financial assets	26,720	0.01%	196,874	0.10%	(170,154)	(86.43)%
Clearing settlement funds	1,475,419	0.72%	738,426	0.36%	736,993	99.81%
Cash held on behalf of brokerage clients	33,234,544	16.15%	40,105,816	19.48%	(6,871,272)	(17.13)%
Cash and bank balances	8,927,537	4.34%	9,758,897	4.74%	(831,360)	(8.52)%
<b>Total assets</b>	<b>205,779,038</b>		205,864,365		(85,327)	(0.04)%

## SECTION IV REPORT OF THE BOARD

Item	December 31, 2018		December 31, 2017		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
<b>Current liabilities</b>	<b>99,205,014</b>		121,921,439		(22,716,425)	(18.63)%
Loans and borrowings	4,769,266	3.04%	7,137,860	4.58%	(2,368,594)	(33.18)%
Short-term debt instruments issued	14,109,673	8.98%	18,491,732	11.87%	(4,382,059)	(23.70)%
Placements from other financial institutions	5,609,349	3.57%	2,993,700	1.92%	2,615,649	87.37%
Financial liabilities at fair value through profit or loss	287,616	0.18%	456,941	0.29%	(169,325)	(37.06)%
Accounts payable to brokerage clients	35,965,897	22.90%	41,060,343	26.35%	(5,094,446)	(12.41)%
Employee benefits payable	1,496,243	0.95%	2,031,053	1.30%	(534,810)	(26.33)%
Other payables and accruals	11,436,334	7.28%	9,498,470	6.09%	1,937,864	20.40%
Current tax liabilities	403,306	0.26%	800,644	0.51%	(397,338)	(49.63)%
Financial assets sold under repurchase agreements	15,953,819	10.16%	23,315,495	14.96%	(7,361,676)	(31.57)%
Derivative financial liabilities	492,824	0.31%	156,280	0.10%	336,544	215.35%
Long-term bonds due within one year	8,680,687	5.53%	15,978,921	10.25%	(7,298,234)	(45.67)%
<b>Total assets less current liabilities</b>	<b>106,574,024</b>		83,942,926		22,631,098	26.96%
<b>Non-current liabilities</b>	<b>57,816,169</b>		33,920,258		23,895,911	70.45%
Loans and borrowings	10,212,460	6.50%	5,326,106	3.42%	4,886,354	91.74%
Long-term bonds	40,837,158	26.01%	24,938,709	16.00%	15,898,449	63.75%
Deferred tax liabilities	101,436	0.06%	47,938	0.03%	53,498	111.60%
Employee benefits payable	998	0.00%	2,051	0.00%	(1,053)	(51.34)%
Accrued liabilities	1,400,000	0.89%	–	–	1,400,000	100.00%
Other non-current liabilities	5,264,117	3.35%	3,605,454	2.31%	1,658,663	46.00%
<b>Total liabilities</b>	<b>157,021,183</b>		155,841,697		1,179,486	0.76%
<b>Net assets</b>	<b>48,757,855</b>		50,022,668		(1,264,813)	(2.53)%

Except for the liabilities disclosed in this report as of December 31, 2018, the Company had no outstanding mortgage, charges, bonds, other capital liabilities under acceptance or other similar indebtedness, lease purchase and lease commitment, guarantee or other material contingent liabilities.

## SECTION IV REPORT OF THE BOARD

### **Non-current assets:**

As of December 31, 2018, the non-current assets of the Company amounted to RMB35.5 billion, representing a increase of 18% as compared with that of the beginning of the year. Such decrease was mainly due to the increase in finance assets investment, partially offset by the decrease in financial assets held under resale agreements and finance lease receivables.

### **Current assets:**

As of December 31, 2018, the current assets of the Company amounted to RMB170.3 billion, representing a decrease of 3% as compared with that of the beginning of the year, which was mainly due to the decrease in margin accounts receivable, various financial assets investments and cash held on behalf of customers, partially offset by the increase in financial assets sold under repurchase agreements.

### **Current liabilities:**

As of December 31, 2018, the current liabilities of the Company amounted to RMB99.2 billion, representing a decrease of 19% as compared with that of the beginning of the year, which was mainly due to the decrease in the scale of accounts payable to brokerage clients, long-term bonds due within one year, financial assets sold under repurchase agreements and short-term debt instruments issued.

### **Non-current liabilities:**

As of December 31, 2018, the non-current liabilities of the Company amounted to RMB57.8 billion, representing an increase of 70% as compared with that of the beginning of the year, which was mainly due to the increase in long-term bonds issued during the Reporting Period.

Borrowings and bond financing

Unit: RMB'000

Item	2018	2017
Loans and borrowings	14,981,726	12,463,966
Short-term debt instruments issued	14,109,673	18,491,732
Long-term bonds	49,517,845	40,917,630
Total	78,609,244	71,873,328

## SECTION IV REPORT OF THE BOARD

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

As of December 31, 2018, the Company's gearing ratio was 71.29%, the Company's borrowings, commercial papers payable and debts due within one year amounted to RMB27.6 billion, and the Company's current assets, net of the above liabilities, amounted to RMB142.7 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

### (II) Analysis on operational information by industries

For details of the industry condition during the Reporting Period, please refer to the relevant information of the industry in Section III "Summary on the Business of the Company" of this report.

### (III) Analysis on investments

#### 1. Overall analysis on external equity investments

As of the end of the Reporting Period, long-term equity investment of the Company amounted to RMB1.096 billion, representing a decrease of RMB133 million or 12% from the beginning of the year, which was mainly due to the decrease in equity investment funds managed by its subsidiary Everbright Capital, provision for impairment, and loss on investment into associate. For details, please refer to the relevant disclosure in the financial report.

##### **(1) Significant equity investment**

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

##### **(2) Significant non-equity investment**

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

## SECTION IV REPORT OF THE BOARD

### (IV) Material disposal of assets and equity interests

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

### (V) Analysis on principal subsidiaries and investee companies

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

As of December 31, 2018, Everbright Futures had total assets, net assets and net profit amounting to RMB9.707 billion, RMB1.917 billion and RMB202.52 million, respectively.

2. Shanghai Everbright Securities Asset Management Co., Ltd., established on February 21, 2012 with a registered capital of RMB200 million, is a wholly-owned subsidiary of the Company. It is principally engaged in securities asset management business.

As of December 31, 2018, Everbright Asset Management had total assets, net assets and net profit amounting to RMB2.027 billion, RMB1.535 billion and RMB467.52 million, respectively.

## SECTION IV REPORT OF THE BOARD

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

As of December 31, 2018, Everbright Capital had total assets, net assets and net loss amounting to RMB4.947 billion, RMB2.549 billion and RMB1.634 billion, respectively.

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

As of December 31, 2018, Everbright Fortune had total assets, net assets and net profit amounting to RMB3.145 billion, RMB2.146 billion and RMB81.69 million, respectively.

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

As of December 31, 2018, EBSHK had total assets, net assets and net profit (RMB equivalent) amounting to RMB27.337 billion, RMB443 million and RMB8.7 million, respectively.

6. Everbright Development Investment Co., Ltd., established on June 12, 2017 with a registered capital of RMB500 million, is a wholly-owned subsidiary of the Company. It is principally engaged in equity investment, equity investment management, investment management, asset management, project investment and investment consultation.

As of December 31, 2018, Everbright Development had total assets, net assets and net profit amounting to RMB1.1 billion, RMB528 million and RMB24 million, respectively.

7. Everbright Fortune International Leasing Co., Ltd., established on September 29, 2014 with a registered capital of RMB1 billion, is held by the Company as to 85% equity interests through Everbright Capital and EBSHK. It is principally engaged in financial leasing and leasing business.

As of December 31, 2018, Everbright Leasing had total assets, net assets and net profit amounting to RMB6.555 billion, RMB1.194 billion and RMB72.74 million, respectively.



## SECTION IV REPORT OF THE BOARD

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 December 31, 2018, Everbright Pramerica had total assets, net assets and net profit amounting to RMB1.180 billion, RMB1.024 billion and RMB174.13 million, respectively.

9. Everbright Yunfu Internet Co., Ltd., established on April 16, 2015 with a registered capital of RMB200 million, is held by the Company as to 40% equity interests. It is principally engaged in financial data processing and analysis, industrial investment and asset management.

As of December 31, 2018, Everbright Yunfu had total assets, net assets and net loss amounting to RMB612 million, RMB -308 million and RMB523.64 million, respectively.

10. Everbright Eascreate Network Technology Co., Ltd., established on September 6, 2015 with a registered capital of RMB100 million, is held by the Company as to 40% equity interests. It is principally engaged in financial data processing, industrial investment and asset management.

As of December 31, 2018, Everbright Eascreate had total assets, net assets and net loss amounting to RMB131 million, RMB95 million and RMB17.72 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 December 31, 2018, Dacheng Fund had total assets, net assets and net profit amounting to RMB3.295 billion, RMB2.248 billion and RMB231.69 million, respectively.

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

As of December 31, 2018, the Group consolidated 20 structured entities, including asset management plans and partnerships. For asset management plans and partnerships that the Company acts as the manager and general partner or investment manager, the Company is of the view that it has control over certain asset management plans and partnerships taking into account various factors including the rights of making decision on its investment and the exposure to its variable returns, and includes them into the scope of consolidation. As of December 31, 2018, the net assets of the above structured entities within the scope of consolidation amounted to RMB19 billion.

## SECTION IV REPORT OF THE BOARD

For changes in operating entities including new subsidiaries, liquidated subsidiaries, structured entities or entities the control of which were obtained through entrusted operation, please refer to Note 23 to the consolidated financial statements.

### (VII) Use of proceeds

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

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

As of December 31, 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, RMB825 million was used for funding working capital, establishing back-office systems and other general corporate purposes, and the remaining amount was RMB1.73 million (the used proceeds from the issuance of H Shares denominated in RMB were calculated at the effective exchange rate; the used proceeds from the issuance of H Shares denominated in Hong Kong dollars were calculated at the current exchange rate; the exchange rate of the unused proceeds from the issuance of H Shares were calculated based on the exchange rate on December 31, 2018. Based on the translation at above exchange rates, the net proceeds from the issuance of H Shares amounted to RMB7.682 billion).

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

## SECTION IV REPORT OF THE BOARD

### (VIII) Impact of implementing IFRS 9 “Financial Instruments”

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

### (IX) Financing channels of the Company

The financing channels of the Company comprise equity financing and debt financing. In 2018, the Company did not commence equity financing and its main debt financing instruments included: public corporate bonds, non-public corporate bonds, short-term corporate bonds and short-term debt instruments of the securities companies, as well as debt income right transfer of financing business, structured notes, asset-backed plan backed by stock-pledged creditor's rights, margin refinancing from CSFC, inter-bank borrowing and gold leasing. The principle and interest of the debt financing instruments were all paid in a timely manner.

### (X) Analysis of the financing capability of the Company

As an A- and H-share listed securities firm with good market reputation and domestic and overseas financing capabilities, the Company focuses on the maintenance of the financing instruments and relations with transaction parties and maintains a good partnership with commercial banks. In 2018, the Company obtained banking facilities from 40 banks with an aggregate amount of approximately RMB250.0 billion at the end of the year, representing an increase of approximately RMB35.0 billion. Meanwhile, the great capital strength of Everbright Group also provides solid protection for the Company.

## SECTION IV REPORT OF THE BOARD

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

#### (I) Competition landscape and development trend of the industry

Since 2018, with the influence of a series of economy factors both in domestic and abroad, external environment is extremely complex. In 2019, there exist opportunities and challenges in security industry.

**Industry concentration is increasing.** With the more obvious fragmentation of the industry, more business and recourses lean towards top securities brokers than ever. Since 2018, with the tighter review on IPO and decrease in IPO approval rate, only a minority of securities firms who have competitive advantages in investing banking still retain positive growth in investment banking business. Meanwhile, with the regulatory policies also reflecting the preference for large securities firms, large securities firms in the industry, especially top securities firms, enjoy greater advantages in applying for innovative business qualifications and carrying out innovative pilot projects.

**Opening up of the securities industry is accelerating.** Since the shareholding percentages of foreign securities firms was extended to 51% in the first half-year of 2018, certain large international financial institutions have prepared to newly establish or hold securities firms. The application of J.P. Morgan Chase & Co. to set up foreign securities firms has been accepted by CSRC for approval. UBS Securities has achieved 51% shareholding status, and the foreign securities firms are moving faster than the industry expected. JV Securities firms speed up to deploy business chains of full licenses and proactively expand domestic business in PRC. Foreign securities firms will compete with Chinese securities firms in terms of oversea customers, domestic institutional customers, high-net-worth customers and talents.

**Regulatory departments continue to explore the direction of reformation.** On the one hand, new regulations were formulated by CSRC to facilitate the stable and healthy operation on business standards and to strengthen the efforts in inspection and law enforcement. In 2018, new policies on asset management, pledges and equity management of securities firms have been published or implemented, regulating the development of securities industry in many aspects and guiding the securities business to return to their origins. On the other hand, CSRC also is on the way towards exploring reformation and innovation, as well as opening up. The establishment of a science and technology board on the Shanghai Stock Exchange and the pilot registration system reform will further enrich China's multi-level capital market and bring potential business opportunities to securities firms.

## SECTION IV REPORT OF THE BOARD

### (II) Development Strategy

In 2018, the mid – and long-term development strategy of Everbright Group has determined that it will implement the three strategic transformations of “agility, technology and ecology” to build a world-class financial holding group with global competitiveness. As the core financial service platform of Everbright Group, the Company actively undertook and integrated into the Group’s strategy, adhere to the direction of marketization, specialization and intensification, realize the coordinated development of quality, efficiency and scale, and build a first-class investment bank in China

The year of 2019 is the year of value creation for Everbright Group, and also the beginning of the new phase of the Company’s strategic planning. The Company will continue to strengthen its advantageous businesses, make up for business weakness, explore business model changes and improve efficiency. We will cope with external market and competition through flexible business organization and resource allocation; enable finance with science and technology to grasp the opportunity of innovation; build a portfolio of financial sectors and a financial ecosystem; and promote high-quality development under the premise of effective risk control.

### (III) Business Plan

In 2019, the Company will continue to adhere to the fundamental principle of “pursuing progress amid stability, seeking opportunity amid changes”. Adhering to the theme of “value creation”, we will coordinate organic and extension growth, develop domestic and overseas business in synergy, cultivate our talents pool, energize our business by using cutting-edge technology to strengthen basic business foundation, enhance advantageous business features, promote the comprehensive financial development in a balanced and stable way, and lay the solid foundation for building China’s first-class investment Banks.

Firstly, we will do a good job in “addition” to strengthen the momentum of development in transformation and upgrading. The Company will put more efforts into the transformation of the basic business, accelerate the pace of development of emerging business; and strengthen brand features of advantageous business. The Company’s retail business will continue to transform to wealth management, and the Company will continue to consolidate leading advantages of bond underwriting, asset management, futures business, overseas business, and steadily expand the scale of business.

## SECTION IV REPORT OF THE BOARD

Secondly, we will do correct “subtraction” to reduce bottlenecks in the weak areas of balanced development. The investment banking business will take the reform of divisional system as an opportunity to promote the transformation and upgrading of management model and business model. We will improve the asset allocation level of proprietary business, improve the diversified business layout centering on investment and research, and improve the investment income through cross-market and cross-cycle allocation.

Thirdly, we will be good at “multiplication” to strengthen the multiplier effect of management and coordination. The Company will further optimize the multiplier effect of management support through energizing our business by talent, technology and management, make full use of the synergistic multiplier effect of Everbright Group, and energize existing business by integrating resources in a larger scope and expanding the market.

Fourthly, we will steadily do the “division” and keep to the bottom line of risk compliance. The Company will continue to hold high the banner of high-quality development, always maintain the mentality of walking a tightrope, set up the idea of “risk above all, risk overcomes everything”, continuously improve the effectiveness of compliance management and risk management, eliminate risks and potential dangers, and maintain the bottom line of compliance risk control.

Fifthly, we must do well in “calculus” and strengthen the leading role of first-class CPC party building. The Company will be based on the actual development and grassroots needs, focus on establishing party building brands which can reflect the characteristics of the industry, highlight the characteristics of Everbright and in line with the needs of party members, such as youth party building and ecological party building, to do more detailed and deepened grassroots party building.

### (IV) Potential risk exposure

#### 1. Summary of risk management

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

## SECTION IV REPORT OF THE BOARD

### 2. Risk management structure

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

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

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

## SECTION IV REPORT OF THE BOARD

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

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

### 3. Measures against various risks

#### (1) *Market risk*

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

In terms of the market risk, the Company adheres to the principle of proactive management and quantitative orientation and establishes a risk limit system incorporated with various procedures for market risk tolerance and business risk limits based on the risk tolerance preferences of the Company. The Board determines the annual scale of proprietary trading business and the market risk loss tolerance and the committee under the senior management of the Company determines the market risk loss tolerance for each specific item and reviews and approves specific limits for each business, including net exposure value, investment concentration, basis point value, etc. The Company's proprietary trading department implements risk controls by a combination of investment portfolios, mark-to-market measures, hedging and mitigation measures. The risk management and internal control department monitors each of risk limits separately on a daily basis, and will send an alert and risk warning to the management and relevant business departments once a specific limit approaches or exceeds the pre-determined risk limit. In this case, the relevant business department shall put forward an analysis report and corresponding countermeasures. Stress testing is an integrated part of the Company's market risk management, therefore the Company has established a stress testing mechanism to timely assess the potential loss that the Company may suffer under the stress scenario according to its business development and changes in market and provide a basis for the Company's management to make decisions.



## SECTION IV REPORT OF THE BOARD

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

### **(2) Credit risk**

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

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

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### (3) *Operational risk*

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

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

### (4) *Liquidity risk*

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

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

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### **(5) Information technology risk**

The Company's principal businesses including brokerage and securities proprietary trading heavily rely on the real-time processing of data via electronic information system, and storing enormous data on trading business and operating activities on electronic devices. Securities trading system involves various aspects and has higher requirement on maintaining continuity, which may subject to potential information system risks arising from a series of unforeseeable events such as hardware and software, computer room infrastructure as well as communication failure, in turn affecting the Company's reputation and service quality or leading to economic losses and legal disputes. With the deepening application of financial technology, the ongoing expansion and extension of securities business channels, the network security of the application system of businesses that provide services on the Internet is facing increasing challenges, including Internet security risks such as malicious cyber attack, fake site, tampering information or virus and Trojan horse, which may result in serious threaten to Golden Sunshine APP, online trading system, online business system and internal application system provided for Internet, and may even cause economic loss or reputation damage to the Company. 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 continued to deepen the reform of information technology and enhance its support to information technology. It continuously consolidated the technical service mode with an emphasis on "front office, front-end service and full cooperation", enhanced the institutional management model and promoted the deep integration between technology and business. Adhering to the requirement of "safety first, risks under control, demand driver and technology orientation" and strengthening the work philosophy of "prevention first, contingency plan as secondary measure, continuous improvement and pursuit of excellence", the Company continuously pushed forward adopting standard operation and maintenance management and setting up of standards, improving operation and maintenance tools, and refining and reconstructing the operation and maintenance platform and system. In order to manage and control information technology risks effectively, the Company has achieved "offering standard services, adopting process automation, leveraging digital management and promoting intelligent decision-making" by solidifying its core trading systems, completing ISO20000 System construction and actively promoting the construction of unified platform of monitoring, management and control. The Company continued to improve the network security system, optimize operational procedures of safety and standard and promote the transformation of security management mode from passive defense to active prevention and management by constructing mobile system related to security situation awareness, so as to improve the network security management level of the Company.

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### (6) *Reputation risk*

Reputation risk refers to the risk resulting from negative feedback from related stakeholders due to the operation, management or other acts of the Company or external events. The Company continued to carry out appropriate and effective reputation risk management, established a standardized management system, a scientific organizational structure and complete management and control system, and successively formulated and amended the “Management Measures of Everbright Securities Company Limited on Information Release” (光大證券股份有限公司資訊發佈管理辦法), “Management Measures of Everbright Securities Company Limited on Reputation Risk Prevention and Control and Crisis Public Relations” (光大證券股份有限公司聲譽風險防控和危機公關事務管理辦法), “Management Measures of Everbright Securities Company Limited on Reporting of Major Incidents” (光大證券重大突發事件報告工作管理辦法), “Management Measures of Everbright Securities Company Limited on Contingency Plans for Major Emergencies” (光大證券股份有限公司重大突發事件應急預案管理辦法) and other relevant internal measures.

The Company set up a Media Affairs Management Working Group and an Emergency Response Leading Group for the coordination and unification of reputation risk management at the company and department levels. In addition, the Company has designated a special position to take charge of public opinion monitoring and the maintenance of relations with external media, and also hired consultancy firms and law firms to assist in reputation risk management. At present, the Company has realized full coverage of its subsidiaries' reputation risk prevention and control systems. All subsidiaries have established measures for the prevention and mitigation of reputation risk in accordance with their own actual conditions.

### (7) *Compliance risk*

Compliance risk refers to the risk of legal liability, being subjected to regulatory proceedings, disciplinary action, or loss of property or business reputation arising from violation of laws, regulations and rules due to the operation and management or practices of the Company or its personnel. In order to effectively control compliance risk, the Company, through establishing a practicable compliance management system, has realized effective identification, assessment and management of compliance risks and develops long-term compliance assessment accountability and training mechanisms, providing effective support and supervision for lawful and compliant operations of the Company.

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

In 2018, the Company highly values risk management and has always been committed to building an overall risk management system which matches with the Company's strategic development objectives. During the Reporting Period, the Company continued to strengthen the Group's control, optimize the risk management process, increase the promotion on risk management culture and concept, enrich the risk management team, improve the risk management information systematization level, and promote the continuous improvement of the Company's overall risk management system. In 2018, the total amount of investment in risk management amounted to RMB47 million for the year, including investment in risk management system and technology, risk control related team expenditure, training and operating expenses.

The Company continued to strengthen its investment in compliance management. First, strengthen the compliance team construction. The Company increased the support in personnel recruitment for legal compliance department through various channels, such as internal recruitment, social recruitment and recommendation from headhunters, to attract and recruit talents. The Company assigned compliance controller of all business department and branches, built up professional compliance management team, and ensured the salary and welfare received by compliance personnel. RMB11.2762 million was paid to legal compliance department personnel for the whole year. Second, investment in compliance system construction. The Company continued to establish and improve systems, such as the review system of interest conflict among investment banks, information isolation wall system, office telephone recording system, collaborative platform compliance module and suspected person monitoring system. The amount of investment in system construction amounted to RMB1.2658 million for the year. Third, strengthen the compliance training. Internal and external experts have been engaged by the legal compliance department to offer certain compliance training through the combination of online and offline training to expand the reach of training, which can help the Company establish the compliance culture and implement the compliance philosophy.

The Company not only attaches great importance to business continuity guarantee and network security control, but also actively promotes the development of fintech and invests a lot of resources to improve information technology capacity and optimize information technology system. The Company and its securities business subsidiaries' investment in information technology (according to the statistical scope of securities firm's information system construction investment index) mainly includes: the depreciation and amortization expenses of IT fixed assets and intangible assets, the input to IT daily expenses, etc. The total investment in information technology in 2018 was RMB259.8025 million.

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### (V) Business innovation

In 2018, the Company made efforts in financial business and technology innovation and continued to accelerate the pace of innovation, which has improved our market competitiveness in some businesses and formed brand advantage.

In 2018, the Company completed China's first "shelf" corporate bonds, the first CMBN project that did not rely on corporate credit and the first quasi REITs project under active management, establishing the brand of "Everbright stable income (光大固收)" in the market. The first real estate fund shelf commercial REITs in China led by the Company, also known as the first shelf REITs with shopping centers as underlying assets, was approved by Shenzhen Stock Exchange in 2018, which marked that China's real estate fund has entered into the era of shelf in the field of commercial real estate securitization. The futures business of the Company has created innovation highlights, various "futures + insurance" projects such as Yanchang County's apples, Xiji County's potatoes and Lancang County's natural rubber have consolidated the brand reputation of Everbright futures risk management in the market. Keeping up with the pace of industrial innovation, the Company carried out the collateralized tri-party repurchases trading business, got fully prepared for the qualification to carry out the Shanghai-London Stock Connect CDR market making and cross-border conversion business.

With efforts to improve the quality of information management and trading system by increasing financial technology investments, the Company has fully achieved centralized operation over the counter and paperless and electronic process, thereby obtaining the paperless pilot qualification for CSDCC's securities accounts in the first batch and successfully completing ISO20000 Certification, which demonstrated that its information management level is recognized by authorized institutions. The Company will set up digital and intelligent application to promote its business development by accelerating the construction of financial technology and focusing on the actual demands such as customer service, operation management and risk control and compliance.

### IV Profit Distribution and Proposed Dividend

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2018 are set out in "I. Proposal of Profit Distribution for Ordinary Shares or Capitalization from Capital Reserve Fund" of Section V "Significant Events" in this report.

## SECTION IV REPORT OF THE BOARD

### V Other Information

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

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

#### (II) Pre-emptive right

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

#### (III) Service contracts of Directors and Supervisors

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

None of the Company's Directors and Supervisors has signed with the Company or its subsidiaries any service contract which cannot be terminated within one year, or which cannot be terminated without payment of compensation, other than statutory compensation.

#### (IV) Right of Directors and Supervisors to purchase shares

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

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

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

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

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

### (VII) Permitted indemnity provision

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

### (VIII) Management contracts

For the year ended December 31, 2018, no contract has been entered into for the management and administration of the entire or any material part of the business of the Group.

### (IX) Major clients

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

In 2018, income generated from the five largest clients of the Company accounted for less than 30% of the Group's total revenue and other income.

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



## SECTION IV REPORT OF THE BOARD

### (X) Reserves and reserves for profit distribution

For particulars about changes in reserves and reserves for profit distribution, please refer to the “Consolidated Statement of Changes in Equity” of Financial Statements and Note 52 to the Consolidated Financial Statements in this report.

### (XI) Employees

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

### (XII) Equity-linked agreements

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

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

As of December 31, 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 and Everbright International are associated corporations of the Company.

Save as disclosed above, as of December 31, 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 Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

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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.

### (XIV) POVERTY ALLEVIATION

#### 1. Targeted Poverty Alleviation Plan

The Company has always been keeping in mind its own red gene through responding to the call of the government, stressing the significance of the fulfillment of its social responsibilities, actively responding to the requirements of intensification of “three effort”, enhancement of “three contribution” and strengthening of “four-targeted” poverty alleviation of Everbright Group, and “One Company, One County” (一司一縣) and “One County, One Enterprise” (一縣一企) poverty alleviation initiatives of the CSRC and the Securities Association of China. The major persons-in-charge of the Company serves as the leader of the poverty alleviation leading committee, shows keen interest in the poverty alleviation work, and has visited the areas such as Xintian County of Hunan receiving one-on-one assistance from the Company many times for research and inspection in person. The Company is in charge of facilitating the implementation, through provision of one-on-one assistance to Xintian County of Hunan, Xiji County of Ningxia, and Wan’an County, Xingguo County and Xunwu County of Jiangxi as well as Zhulin Town, Guangnan County of Yunnan and three schools to find out the “one-to-five” poverty alleviation work method, develop modes of poverty alleviation featuring “securities +” with Everbright characteristics, and gradually form innovative modes of poverty alleviation featuring “securities +”. In 2018, the Company invested RMB20 million to fund 25 poverty alleviation and public welfare projects. Since 2016, the Company has invested approximately RMB50 million in 50 poverty alleviation and public welfare projects, and helped poverty-stricken regions to introduce funds of RMB4 billion. The Company also helped nearly 400,000 teachers and students in 7 regions of 5 provinces to subscribe for critical illness insurance policies for two consecutive years with a total insured amount of nearly RMB22 billion, with covering 15,000 registered individuals, among which nearly 4,000 persons have been lifted out of poverty.

## SECTION IV REPORT OF THE BOARD

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

#### **(1) *Focus on practical results and build a targeted poverty alleviation system***

The Party Committee of the Company attaches great importance to the poverty alleviation work and establishes the guiding ideology of “poverty alleviation led by party building”, which provides a solid political guarantee for the poverty alleviation work of the Company. Everbright Securities has set up a leading group of poverty alleviation work under the poverty alleviation office to provide comprehensive organizational guarantee for poverty alleviation work. At present, the Company has developed a poverty alleviation work system, which is led and promoted by the key responsible persons of the Company, coordinated by the poverty alleviation office of the Company, coordinated with the relevant branch offices, provided professional service guarantee by the business departments, and supported and coordinated by the middle and back office departments.

The Company will further optimize the contact and service mechanism, assign personnel from its branches to provide connecting services, taking their advantages of better understanding of the situation, better awareness of the needs and faster connection, and ensure practical and efficient one-to-one connection to the regions as soon as practicable. More experienced officers have carried out “on-site mentoring” to poverty alleviation cadres in branches to provide combined services in a fast and effective manner. Relevant departments and branches of the Company have strengthened communication, closely coordinated with each other, focused on the requirements of “One County, One Enterprise” and effectively realized targeted poverty alleviation.

The Company actively participates in the public welfare and poverty relief, which has become a common act of leaders and general staff of the Company and an important part of our corporate culture. The scale of the Company's donation for targeted poverty alleviation has gradually increased, the Everbright Sunshine Charity Fund established as agreed between the Company and the Shanghai Charity Foundation has operated efficiently, and the responsibilities of poverty alleviation have become the long-term and normalized undertaking of performing social responsibilities instead of temporary work with definitive term.

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### (2) *Coordinate resources and innovate ways of targeted poverty alleviation*

The Company fully integrated the resources of all parties in the Company, created the “One Two Three Four Five” poverty alleviation working method, namely based on the “One Platform” of the Company, Everbright Sunshine Charity Fund, actively implemented the Group and the SFC’s “Two Sides Requirements”, strengthened “Three Connections” with the supported areas in respect of regional businesses, party building and public welfare activities, enhanced “Four Types of Awarenesses” of the overall situation, coordination, sharing and market, achieved “Five enhancements” in terms of responsibilities, implementation, guarantee, supervision and promotion, so as to carry out extensive one-to-one assistance, accelerate-project implementation, and practically complete targeted poverty alleviation work.

“One Platform” represents the Everbright Sunshine Charity Fund platform of the Company. The Company has set up this fund to build the Company’s unique brand for public welfare and integrate resources in supporting poverty alleviation projects through the fund, so as to promote the Company’s social image, corporate brand and corporate culture.

“Two Sides Requirements” represents proactively implement the poverty alleviation work requirements of the Group, and the requirements of the SFC and the SAG for “One Company, One County” and “One County, One Enterprise”. The Company comprehensively planned to strengthen the connection with one-to-one supporting areas, and implemented the requirements of targeted poverty alleviation through introduction of industrial investment, establishment of industry poverty alleviation fund and merger and reorganization.

“Three Connections” represents coordinating resources of the Company taking into account the actual situation of poverty alleviation areas, facilitating the connection work of poverty alleviation in respect of businesses, party building and public welfare to implement poverty alleviation projects. The poverty alleviation connection of businesses is to foster leading industries in the supported regions, develop the county economy, increase the capital reserve capability, improve the infrastructure and cultivate the industrial environment. In respect of the poverty alleviation connection of Party building, taken Wuhan Branch and Xiaoshuigan Village, Menlouxia Town, Xintian County, Hunan province as pilot projects, the Company further enhanced the connection of Party building, helped to strengthen the construction of the Party organizations in assisted areas, gave play to the role of the party organization, and lead the poverty alleviation of the registered individuals. In respect of the poverty alleviation connection of the public welfare, the Company put more efforts in helping the construction of infrastructure and educational facilities in the one-to-one assisted area. The poverty alleviation office conducted comprehensive check and determined public welfare projects fairly representative and operational with low risk which is under control.

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“Four Types of Awarenesses” refers to the related departments including poverty alleviation offices and investment banks as well as branches to raise overall situation awareness, coordination awareness, sharing awareness and market awareness, and coordinate to promote the poverty alleviation work. The enhancement of overall situation awareness is to further enhance the political level, increase the awareness of poverty alleviation, build up the awareness that the whole Company acts as an integrated entity to conduct poverty alleviation works, communicate information on poverty alleviation projects in a timely manner and create conditions for the Company to expand poverty alleviation projects. The enhancement of coordination awareness is to plan poverty alleviation through the Group’s position, make use of the Group’s full license for financial business, enhance the coordination between business and resources, and make use of all resources to conduct assistance work. For example, in conjunction with Sun Life Everbright Life Insurance, we purchased critical illness insurance for teachers and students in the poverty relief area in respect of the “Everbright Project of Gardeners in the Sunshine”, the “Everbright Project of Seedlings in the Sunshine”. In addition, with Everbright Futures, we have launched the Everbright’s project of “Securities + Futures + Insurance” Sunshine Agro (陽光惠農). The enhancement of sharing awareness is to not only make use of the Group’s and Company resources to learn poverty alleviation practices of Everbright Bank and Sun Life Everbright Life Insurance, but also actively learn the poverty alleviation experience of other enterprises, introduce experience into assisted areas and improve the efficiency of poverty alleviation. The promotion of market awareness is to respect the market discipline, make full use of the preferential policies of the regulatory authorities, make use of market to improve the results of poverty alleviation according to local conditions, and develop ability of supported areas to generate economic profits on their own.

“Five enhancements” refers to enhancements of responsibility, implementation, guarantee, supervision and promotion, and to improve the results of poverty alleviation works. In terms of the enhancement of responsibilities, the Company will further strengthen the overall situation awareness, improve the political level and the awareness of poverty alleviation to fulfill responsibilities. In respect of the enhancement of implementation, coordinate to identify one-to-one assisted enterprises, formulate work plans, and promote the orderly implementation of poverty alleviation programs. In terms of the enhancement of guarantee, the departments including investment banking department shall specify the responsible persons, and each head of branches shall be held responsible to strengthen the communication and cooperation with the supported regions, and to ensure the standardization and normalization of targeted poverty alleviation works. In terms of the enhancement of supervision, the poverty alleviation office will strengthen coordination, prepare progressing plan of projects, determine the responsible departments, cooperating departments and responsible persons, specify the time frame and progressing arrangement, strengthen supervision, keep track of project progress and ensure smooth progress of projects according to time frame. In respect of the enhancement of promotion, based on the results of poverty alleviation, the Company coordinate resources, enhance coordination, widely mobilize people and leveraging media resources in areas where support is provided, vigorously promote the Everbright sunshine poverty alleviation series brands to further expand people’s awareness of the results of the Company’s poverty alleviation work.

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### (3) *Strengthening the implementation, and explore to promote the “securities+” comprehensive targeted poverty alleviation model*

As advised by the General Secretary Xi Jinping, the key to targeted poverty alleviation is to identify the inner reason and find right solution. The Group emphasizes the poverty alleviation through “four aspects of precision”, namely, the precision of target people, projects, services and management for poverty alleviation. The Company firmly implemented the requirements of the poverty alleviation work of the Central Government and the Group, fully exerted its own strengths and carried out the work of targeted poverty alleviation so as to ensure the achievement of the “four aspects of precision” for poverty alleviation, and establish the “securities +” integrated comprehensive poverty alleviation model.

### 3. Achievements of Targeted Poverty Alleviation

Unit: RMB0'000 Currency: Renminbi

Indicator	Amount/Status
I. General information	
Including: 1. Cash	2,050
2. Value of goods	
3. Number of registered impoverished individuals having cast off poverty (person)	2,351
II. Breakdown	
1. Poverty alleviation through economic development	
Including: 1.1 Category of poverty alleviation	Agriculture and forestry <input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input checked="" type="checkbox"/> E-commerce <input type="checkbox"/> Return on assets <input type="checkbox"/> Technology <input checked="" type="checkbox"/> Others
1.2 Number of programs	9
1.3 Project investment	931.3
1.4 Number of registered impoverished individuals having cast off poverty (person)	2,051

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Indicator	Amount/Status
2. Poverty alleviation through employment	
Including: 2.1 Investment in vocational skills training	
2.2 Participation in vocational skills training (participants)	
2.3 Number of registered impoverished individuals employed (person)	
3. Poverty alleviation through relocation	
Including: 3.1 Number of individuals employed after relocation (person)	
4. Education related poverty alleviation	
Including: 4.1 Subsidies to students in need	8.6
4.2 Number of sponsored students in need (person)	60
4.3 Education resource investment in poverty – stricken regions	30.4
5. Poverty alleviation relating to healthcare	
Including: 5.1 Healthcare resource investment in poverty-stricken regions	274.7
6. Poverty alleviation relating to ecological protection	
Including: 6.1 Project name	Others: supplementary works for sewage treatment <input type="checkbox"/> Ecological protection and construction <input type="checkbox"/> Establishment of ecological protection and compensation model <input type="checkbox"/> Establishment of ecological public welfare posts <input checked="" type="checkbox"/> Others
6.2 Project investment	6
7. Financial subsidies	

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Indicator	Amount/Status
Including: 7.1 Subsidies to “three types of left-behind” individuals	7.7
7.2 Number of subsidized “three types of left-behind” individuals (person)	154
7.3 Subsidies to the impoverished disabled	
7.4 Number of the subsidized disabled (person)	
8. Social poverty alleviation	
Including: 8.1 Contribution to the Eastern-western poverty alleviation cooperation program	120
8.2 Contribution to the targeted poverty alleviation program	
8.3 Poverty alleviation foundation	
9. Other projects	
Including: 9.1 Number of projects	19
9.2 Project investment	677.3
9.3 Number of registered impoverished individuals having cast off poverty (person)	300
9.4. Notes to other projects	Infrastructure poverty alleviation, poverty alleviation through tourism, poverty alleviation through party building and poverty alleviation procurement, etc.



## SECTION IV REPORT OF THE BOARD

Indicator	Amount/Status
III. Awards and recognitions (details and class)	<p>The Company won the 2018 China Securities and Futures Industry Outstanding Innovation Poverty Alleviation Award (provincial and ministerial level) by Securities Association of China and China Futures Association, 2018 China Securities and Futures Industry Outstanding “One Company, One County” Assistance Project Award (Provincial ministerial Award, China Securities Association, China Futures Association), 2018 Financial Enterprise Poverty Alleviation Innovation Award (Sina Finance, Sina Public welfare and Sina Micro Public Welfare), Running for Love Public Welfare Certificate (Bureau level) by Investment Service Office of Jing’ an District, The 4th Outstanding Poverty Alleviation Individual of Jian Ge County (county level) by Management Department of Poverty Alleviation Work in Jian County (Leader Group), 2018 Jun Ding Typical Case Award for Poverty Alleviation from Financial Institutions (Securities Times), Street Fairview (county level) by the Communist Party Working Committee of Jiang Ning Road in Jing’ an District, the Award for Targeted Poverty Alleviation (The Listed Companies Association of Shanghai, CBN, Shanghai Federation of Economic Organization), and Poverty Alleviation Contribution Award (China Economic Net).</p>

## SECTION IV REPORT OF THE BOARD

Indicator	Amount/Status
	<p>The relevant leaders of the Company won the 2018 China Securities and Futures Industry Poverty Alleviation Figure Award (provincial and ministerial level) by Securities Association of China and China Futures Association, and 2018 Outstanding Leader of Poverty Alleviation for Financial Enterprises (Sina Finance, Sina Public Welfare and Sina Micro Public welfare).</p> <p>Poverty alleviation officers of the Company were awarded the Outstanding Individuals Award in Poverty Alleviation of 2018 Financial Enterprises (provincial and ministerial level) by Securities Association of China and China Futures Association.</p>

### 4. Subsequent Targeted Poverty Alleviation Plans

In 2019, Everbright Securities will adhere to the targeted poverty alleviation, implement targeted poverty alleviation measures to the villages, households and citizens and achieve precision in poverty alleviation targets, poverty alleviation projects, poverty alleviation services and poverty alleviation management. We will continue to master different local characteristics, explore diversified poverty alleviation paths, consolidate the base of steady poverty alleviation and gradual wealth achievement through leveraging local advantages and resources. Emphasis will be placed. Hunan Province's Xin Tian county will be taken as a key area with other one-to-one assisted regions taken into consideration; for project selection, we will focus on improving quality and efficiency of our existing projects, carefully select new projects, and focus on supporting our industry projects that can continue to increase revenue and enhance the ability of generating revenue on their own; in terms of assisting targets, we will focus on helping those underprivileged people stricken by poverty due to illness and disability. By adhering to the comprehensive policy and taking various measures, we intend to present the combined effect of "poverty alleviation in the industry + financial poverty alleviation + people's living poverty alleviation + Party building poverty alleviation" together with our "securities +" features of the comprehensive poverty alleviation model and innovate the way of assistance through leveraging our strengths. By combining long-term and near-term targets, we will concentrate to help people in poverty-stricken counties to

## SECTION IV REPORT OF THE BOARD

complete poverty alleviation tasks, and further consolidate our achievements on that basis through depending on group arrangements to extend to the rural development and facilitate the achievement of new well-off society objectives.

In 2019, the project in relation to the repair and maintenance of mountain pond in the surrounding areas of the Daguanbao Village of Xintian County of Hunan Province, the improvement and development project of traditional old village of Heshanya, the electrical drainage project in Zutingxia Village of Xinxu Town, the relocation of Menglouxia Town(Connected town), the promotion project of The Panwang Festival in three cities, six counties and eight Yao nationality towns, the construction project of convenient road for production in newly-built natural village at Zhulin Village, Menlouxia County, the project of promotion of poverty alleviation and visits of poverty-stricken people, the implementation of the Sunshine Care Insurance Poverty Alleviation project, the Everbright Rongqing Summercamp Poverty Alleviation Project, the "Securities + Futures + Insurance" Agricultural Product Price-insurance Project, etc. will be implemented, and Xingguo County in Jiangxi province to apply for acceptance of poverty alleviation at the end of 2019 respectively and complete the tasks of poverty alleviation during stipulated term.

Everbright Securities will strengthen its leadership, enrich its poverty alleviation capabilities, fully utilize the role of the Company Poverty Alleviation Work Leading Team and the Poverty Alleviation Office under the Company, expand and strengthen its poverty alleviation work system, rely on the Everbright Sunshine Special Public Welfare Fund Platform, support the launch of poverty alleviation projects and build the brand of public welfare of the Company. The Company will strengthen the coordination and management of its poverty alleviation work and further improve its work mechanism, so as to achieve enhancements in responsibility, implementation, guarantee, supervision and promotion to improve its poverty alleviation work. The Company will increase the investment in targeted poverty alleviation, coordinate the resources of the Company, facilitating the connection work of poverty alleviation in respect of businesses, party building and public welfare. The Company integrated poverty alleviation resources in systems, tap and employ customer resources of the Company, its branches, business departments, and financial enterprises in Everbright system, utilize expertise and social resources in entity enterprises such as Everbright International, China CYTS Tours and Cachet Pharmaceutical to help introduce various kinds of support funds and facilitate the implementation of projects. The Company will carry out promotion of the poverty alleviation work, timely conclude the typical poverty alleviation cases of the Company, to present the new image of Everbright.

## SECTION IV REPORT OF THE BOARD

### (XV) Active performance of social responsibilities

As a state-owned holding financial enterprise, the Company always upholds the philosophy of “creating value for customers, the staff, the shareholders and the community”, and actively fulfills the corporate social responsibility. At the time of publishing this report, the Company will also publish the 2018 Annual Corporate Social Responsibility Report of Everbright Securities Company Limited on the website of the SSE (<http://www.sse.com.cn>).

The Company has complied the “2018 Environmental, Social and Governance Report of Everbright Securities Company Limited” pursuant to the Environmental, Social and Governance Reporting Guide contained in the Appendix 27 of the Hong Kong Listing Rules. For details, please refer to the “2018 Environmental, Social and Governance Report of Everbright Securities Company Limited” published by the Company and disclosed on the HKEx website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.ebscn.com](http://www.ebscn.com)). During the Reporting Period, the Company has complied with the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide.

### (XVI) Donations

During the Reporting Period, the Group’s donations amounted to approximately RMB20.77 million in total.

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

Shanghai, the PRC  
March 27, 2019

## SECTION V SIGNIFICANT EVENTS

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

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

##### 1. The Company's Profit Distribution Policy

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

According to the Articles of Association, the Company shall implement a policy of continuous and stable profit distribution. For the distribution of profits, the Company shall pay attention to the reasonable return of investment of investors and give consideration to the sustainable growth of the Company. The Company may pay dividends in cash, stock or by the combination of cash and stock. Cash dividend payment shall be in preference to stock dividend payment. Normally, the Company shall pay annual dividends. When conditions permit, interim dividends may also be paid.

When the Company has no any material investment plans or any material cash expenditures, provided the demand for funds in normal operation of the Company has been satisfied, the profits to be distributed by the Company in cash shall not be less than 10% of the distributable profits for such year; in any consecutive three years, the aggregate profits distributed by the Company in cash shall not be less than 30% of the distributable profits for such three years.

Subject to the satisfaction by the Company of the percentage of the above cash dividend payment, the Company may distribute profits by issuing bonus shares. If it needs to adjust the profit distribution policy provided for in these Articles of Association due to any material changes of the external operational environment or the conditions of its own operation, the Company shall submit such changes for Shareholder's benefit to a general shareholders' meeting for consideration with detailed demonstrations and explanations after such changes have been adopted by the Board of Directors, with more than half of the independent directors consenting and expressing independent opinions with respect to such changes. When a general shareholders' meeting considers the proposal regarding any adjustments of the profit distribution policy, such changes shall be adopted by the shareholders (including the shareholders proxies) present at the meeting and representing more than 2/3 of the voting rights, by voting at an on-site meeting and by internet.

## SECTION V SIGNIFICANT EVENTS

### 2. The Implementation of the 2017 Profit Distribution During the Reporting Period

During the Reporting Period, the 2017 annual general meeting of the Company considered and approved the proposal in relation to the Company's 2017 profit distribution proposal. On July 6, 2018, the Company's 2017 profit distribution was completed.

### 3. The 2018 Profit Distribution Plan

The 13th meeting of the fifth session of the Board considered and approved the proposal in relation to the Company's 2018 profit distribution plan: on the basis of a total share capital of 4,610,787,639.00 A Shares and H Shares in issue as of December 31, 2018, cash dividend of RMB1.00 per 10 shares (tax inclusive) will be distributed to all holders of A Shares and H Shares, with total cash dividend amounting to RMB461,078,763.90. Cash dividend is denominated and declared in RMB, and paid to holders of A Shares in RMB and to holders of H Shares in HKD. The actual distribution amount in HKD would be calculated at the rate of average benchmark exchange rate of RMB against HKD published by PBOC for five business days prior to the 2018 annual general meeting of the Company. The above distribution proposal will be submitted to the Company's 2018 general meeting for consideration, and cash dividend will be distributed within two months after the pass of the proposal by the Company's 2018 general meeting.

The Company will announce in due course the date of the 2018 annual general meeting, and for the purpose of ascertaining the eligibility of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to the holders of H Shares, as well as the record date and the date for the payment of the dividends to holders of A Shares.

## SECTION V SIGNIFICANT EVENTS

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

Unit: Yuan Currency: RMB

Year of distribution	Amount of dividends (tax inclusive) per ten shares (RMB)	Amount of cash dividends (tax inclusive)	Net profit for the year attributable to the shareholders of the Company in the annual consolidated statements during the year of distribution	Percentage in net profit for the year attributable to the shareholders of the Company in the consolidated statements (%)
2018	1.0	461,078,763.90	103,322,859.82	446.25
2017	2.0	922,157,527.80	3,016,470,221.54	30.57
2016	2.0	922,157,527.80	3,013,019,180.75	30.61

## II Performance of Undertakings

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

In preparation of the listing of the Company's H Shares on the Hong Kong Stock Exchange, Everbright Group made relevant non-competition undertakings which were disclosed in the Company's prospectus. The Company has received the written confirmation from Everbright Group, confirming that it has complied with the relevant non-competition undertakings during the financial year from January 1, 2018 to December 31, 2018.

The independent non-executive Directors have reviewed the compliance and enforcement of non-competition undertakings by Everbright Group, and are of the view that during the financial year from January 1, 2018 to December 31, 2018, none of Everbright Group, any of its normally-operating wholly-owned subsidiaries, controlling subsidiaries or an entity controlled by it, substantively competes with Everbright Securities or subsidiaries of Everbright Securities in any business that is engaged in by a securities firm as the primary operating entity and regulated by the relevant securities regulatory authority, nor is there any potential substantive competition. Therefore, Everbright Group has complied with the relevant non-competition undertakings during the financial year from January 1, 2018 to December 31, 2018.

## SECTION V SIGNIFICANT EVENTS

### III Appointment and Dismissal of Accounting Firms

	Current engagement
Name of domestic accounting firm	Ernst & Young Hua Ming LLP (Special General Partnership)
Remuneration of domestic accounting firm	RMB3.08 million
Years of audit service of domestic accounting firm	2
Name of overseas accounting firm	Ernst & Young
Remuneration of overseas accounting firm	Note
Years of audit service of overseas accounting firm	2

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

Note: The Company's audit fees for domestic audit services and internal control amounted to RMB3.08 million; the audit fees paid to the overseas accounting firm for its provision of audit advice for ESIL and SHKFGL amounted to HK\$4.26 million (equivalent to RMB3.73 million).

### IV Material Litigation and Arbitration Matters

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



## SECTION V SIGNIFICANT EVENTS

### V Material Related Party/Connected Transactions

#### (I) Related party/connected transactions relating to daily business

##### Exempt continuing connected transactions

In the Group's daily operation:

1. The Company and certain of its subsidiaries in China have entered into certain trademark license agreements with Everbright Group. Everbright Group has granted non-exclusive, non-transferable and royalty-free licenses to the Company and its subsidiaries, pursuant to which the Company and its subsidiaries are permitted to use certain trademarks owned by Everbright Group in China.
2. Sun Hung Kai & Co. Limited and SHKFGL and/or certain of its subsidiaries have entered into certain trademark license agreements. Sun Hung Kai & Co. Limited granted to SHKFGL and certain of its subsidiaries exclusive (save and except as Sun Hung Kai & Co. Limited), non-transferable and royalty-free licenses to use certain trademarks and domain names owned by Sun Hung Kai & Co. Limited in Hong Kong, Macau, PRC and Australia.
3. Sun Hung Kai Insurance Consultants Limited, a subsidiary of SHKFGL, entered into an agreement with certain associates of Sun Hung Kai & Co. Limited, pursuant to which Sun Hung Kai Insurance Consultants Limited will provide packaged brokerage services to the associates of Sun Hung Kai & Co. Limited by assisting those associates in procuring insurance policies to be taken out with third party insurers. With respect to securities brokerage, commission and related services, customer referral and financial information, SHKFGL has entered into a framework agreement with Sun Hung Kai & Co. Limited and certain of its associates to regulate the provision of securities brokerage services.
4. Sun Hung Kai & Co. Limited, SHKFGL and EBSHK entered into a transitional services agreement, pursuant to which Sun Hung Kai & Co. Limited and SHKFGL will provide certain administration services to the other party including human resources, employees and access to the insurance policies, sharing of office space and car park space, keeping of documents, cleaning services, security services, financial support services, technology systems, administrative and in-house legal resources.

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

## SECTION V SIGNIFICANT EVENTS

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

### Non-exempt continuing connected transactions

#### ***Property Leasing Framework Agreement***

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

Before listing of H Shares of the Company on the Hong Kong Stock Exchange, the Company and the Everbright Group entered into a property leasing framework agreement (the "2016 Everbright Group Property Leasing Framework Agreement") to regulate property leasing of the Group. The 2016 Everbright Group Property Leasing Framework Agreement will be valid until December 31, 2018, unless terminated earlier in accordance with the agreement.

The Company expects that the Group will continue to lease certain properties from the Everbright Group and its associates, and the Everbright Group and its associates will also continue to lease certain properties from the Group. In view of this and taking in to account the expiry of the 2016 Everbright Group Property Leasing Framework Agreement on December 31, 2018, the Company has renewed the property leasing framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Property Leasing Framework Agreement (the "New Everbright Group Property Leasing Framework Agreement") during the Reporting Period for a term of three years commencing from January 1, 2019 to December 31, 2021.

## SECTION V SIGNIFICANT EVENTS

The principal terms of the 2016 Everbright Group Property Leasing Framework Agreement and the New Everbright Group Property Leasing Framework Agreement (collectively, the “Property Leasing Framework Agreements”) are as follows: (1) the rental shall be determined based on the market rent applicable to the leased property; (2) the Group and the Everbright Group or its related associates shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant leased property according to the principles, and within the parameters under the Property Leasing Framework Agreements; (3) the Group and the Everbright Group and its associates are entitled to lease additional gross floor area from and among the available properties owned by the other party during the term of the Property Leasing Framework Agreements; and (4) either party may, at any time before the applicable Property Leasing Framework Agreement expires, by giving not less than three months’ written notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rental will be reduced accordingly.

In accordance with the 2016 Everbright Group Property Leasing Framework Agreement, the annual cap for the rental income from Everbright Group and its affiliated parties for the leased properties would be RMB5.0 million, RMB6.0 million and RMB7.8 million in 2016, 2017 and 2018 respectively; and the annual cap for the rental expenses to be incurred for the properties rented from Everbright Group and its affiliated parties would be RMB32.0 million, RMB40.0 million and RMB52.0 million in 2016, 2017 and 2018 respectively. In 2018, the actual amount of rental income from the properties leased to Everbright Group and its affiliated parties was RMB2.76 million, and the actual rental expenditure incurred for the properties rented from Everbright Group and its affiliated parties was RMB19.56 million.

Under the 2016 Everbright Group Property Leasing Framework Agreement and the New Everbright Group Property Leasing Framework Agreement, as the highest percentage ratio based on the relevant annual caps set out above is expected to be between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements in Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders’ approval requirement.

Before listing of H Shares of the Company on the Hong Kong Stock Exchange, the Company had made an application to Hong Kong Stock Exchange in respect of the transactions under the 2016 Everbright Group Property Leasing Framework Agreement, and the Hong Kong Stock Exchange had granted the Company a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

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

## SECTION V SIGNIFICANT EVENTS

### ***Non-financial Miscellaneous Services Framework Agreement***

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

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

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

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

## SECTION V SIGNIFICANT EVENTS

### ***Financial Products and Services Framework Agreement***

In the ordinary and usual course of the Group's business, the Group regularly enters into securities and financial products transactions with, and provides securities and financial services to, Everbright Group and its associates. Likewise, Everbright Group and its associates also enter into securities and financial products transactions with, and provide securities and financial services to, the Group on normal commercial terms. The Company entered into a financial products and services framework agreement (the "2016 Everbright Group Financial Products and Services Framework Agreement") with Everbright Group before the listing of the Company's H Shares. The 2016 Everbright Group Financial Products and Services Framework Agreement will be valid until December 31, 2018, unless terminated earlier in accordance with the agreement.

Given the expansion of the business qualifications and business scope of the Group and the expansion of the type and scope of business engaged by the Everbright Group and its associates in recent years, and taking into account the expiry of the 2016 Everbright Group Financial Products and Services Framework Agreement on December 31, 2018, the Company has renewed the financial products and services framework agreement between the Company and the Everbright Group on the basis of the 2016 Everbright Group Financial Products and Services Framework Agreement (the "New Everbright Group Financial Products and Services Framework Agreement") during the Reporting Period, for a term of three years commencing from January 1, 2019 to December 31, 2021.

#### A. Securities and Financial Products Transactions

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

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

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

## SECTION V SIGNIFICANT EVENTS

For the elaboration of the scope of the Securities and Financial Products Transactions under the New Everbright Group Financial Products and Services Framework Agreement and the comparison between such scope and that under the 2016 Everbright Group Financial Products and Services Framework Agreement, please refer to the circular of the 2018 second extraordinary general meeting of the Company dated October 31, 2018.

In accordance with the 2016 Everbright Group Financial Products and Services Framework Agreement, the annual cap for cash inflow from the transaction of securities and financial products shall be RMB133,250.0 million, RMB160,650.0 million and RMB192,750.0 million in 2016, 2017 and 2018 respectively; and the annual cap for cash outflow for the transaction of securities and financial products shall be RMB169,700.0 million, RMB204,650.0 million and RMB245,750.0 million in 2016, 2017 and 2018 respectively. In 2018, the actual cash inflow from the transaction of securities and financial products was RMB77,663.0 million; and the actual cash inflow for the transaction of securities and financial products was RMB104,213.0 million.

### B. Securities and Financial Services

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

Further elaboration of the scope of the securities and financial services provided by the Group to the Everbright Group and its associates (or such services) under the New Everbright Group Financial Products and Services Framework Agreement and the comparison between such scope and that under the 2016 Everbright Group Financial Products and Services Framework Agreement, please refer to the circular of 2018 second extraordinary general meeting of the Company dated October 31, 2018.

## SECTION V SIGNIFICANT EVENTS

In accordance with the 2016 Everbright Group Financial Products and Services Framework Agreement, the annual cap for the revenue to be gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties shall be RMB588.5 million, RMB792.4 million and RMB1,048.6 million in 2016, 2017 and 2018 respectively; and the annual cap for the expense to be paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties shall be RMB121.0 million, RMB146.0 million and RMB176.0 million in 2016, 2017 and 2018 respectively. In 2018, the actual revenue gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties was RMB364.01 million, and the actual expense paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties was RMB141.15 million.

Under the 2016 Everbright Group Financial Products and Services Framework Agreement and the New Everbright Group Financial Products and Services Framework Agreement, as the highest applicable percentage ratio based on the relevant annual caps set out above are expected to be 5% or more on an annual basis, these transactions are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Before listing of H Shares of the Company on the Hong Kong Stock Exchange, the Company had made an application to the Hong Kong Stock Exchange in respect of the transactions in 2016 under the Everbright Group Financial Products and Services Framework Agreement, and the Hong Kong Stock Exchange had granted the Company a waiver from strict compliance with the announcement and independent shareholders' approval requirement under Rules 14A.35 and 14A.36 of the Hong Kong Listing Rules. The abovementioned waiver does not apply to the New Everbright Group Financial Products and Services Framework Agreement. Details of the New Everbright Group Financial Products and Services Framework Agreement are set out in the Company's announcement dated August 28, 2018 and the circular dated October 31, 2018 on the second extraordinary general meeting of 2018. The transactions under the New Everbright Group Financial Products and Services Framework Agreement were approved at the extraordinary general meeting of the Company on December 18, 2018. On the same date, the Company published the results of the extraordinary general meeting on the website of the Hong Kong Stock Exchange and the Company's website.

## SECTION V SIGNIFICANT EVENTS

In addition, the Group shall set a maximum daily deposit balance limit on the deposits of the Group's proprietary funds and client funds deposited at Everbright Bank. In the process of applying for the listing of H Shares with Hong Kong Exchange, the Company had made an application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange had granted the Company a waiver from strict compliance with the maximum daily balance requirements set out in Rule 14A.53 of the Hong Kong Listing Rules. This waiver had been valid until December 31, 2018. The Company had further made its application to the Hong Kong Stock Exchange for a waiver from the strict compliance with the setting a maximum daily deposit balance limit as required by Rule 14A.53 of the Hong Kong Listing Rules and had obtained a waiver letter from the Hong Kong Stock Exchange, waiving the Company from the obligation of setting a maximum daily deposit balance limit on the deposits of the Group's proprietary funds and client funds deposited at Everbright Bank under the new Everbright Group Financial Products and Services Framework Agreement. For details of the reasons for the Company to apply for such waiver, please refer to the announcement of the Company dated September 17, 2018.

### Confirmation of the Auditors

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

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



## SECTION V SIGNIFICANT EVENTS

### Independent Non-executive Directors' Confirmation

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

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

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

Save as disclosed above, there is no related party connection or continuing related party transaction referred to in Note 56 to the Consolidated Financial Statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions of the Company.

## VI Material Contracts and Their Performance

### (I) Guarantees

*Unit: RMB in 100 million*

<b>External guarantees provided by the Company (excluding guarantees provided for subsidiaries)</b>	
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)	–
<b>Guarantees provided by the Company and its subsidiaries for subsidiaries</b>	
Total amount of guarantees provided for subsidiaries during the Reporting Period	63.23
Total amount of guarantees provided for subsidiaries outstanding at the end of the Reporting Period (B)	130.87

## SECTION V SIGNIFICANT EVENTS

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

Total amount of guarantees (A+B)	130.87
Proportion of the total amount of guarantees to the Company's net assets (%)	26.84%
Including:	
Guarantees provided for shareholders, de facto controller and their related parties (C)	—
Debt guarantees provided directly or indirectly for guaranteed objects with a gearing ratio of over 70% (D)	—
The guarantees whose total amount exceeds 50% of the net assets (E)	—
Total amount of the above three guarantees (C+D+E)	—
Description of guarantees outstanding that may be involved in joint and several liabilities	
Description of guarantees (1)	

During the Reporting Period, the Company has provided the following guarantees: net capital guarantee for the wholly-owned subsidiary Everbright Asset Management, and counter-guarantee to the guarantor for the loan of the overseas commercial bank of the wholly-owned subsidiary EBSHK. As of December 31, 2018, the balance of such guarantees was approximately RMB5.305 billion. The guarantees of the Company's holding subsidiaries mainly include: the wholly-owned subsidiary EBSHK and its subsidiaries provided loan guarantees and financing guarantees for its subsidiaries, to facilitate their business operation. As of December 31, 2018, the balance of such guarantees was approximately RMB7.782 billion.

## SECTION V SIGNIFICANT EVENTS

### VII Other Significant Events and Subsequent Events

#### (I) Establishment of branches

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 one branch and 21 securities brokerage branches. According to the Reply on Approving for the Establishment of 24 Securities Brokerage Branches by Everbright Securities Company Limited" (Hu Zheng Jian Xu Ke [2018] No. 76) from the Shanghai Bureau of the CSRC, the Company was approved to set up 24 securities brokerage branches. As at the date of disclosure of this report, the Company has 14 branch companies and 263 securities brokerage branches.

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

- (1) The Company's lawsuit against Mr./Ms Wu, a customer of financing and securities bonds, has been disclosed in "XII. Other significant events and subsequent events" of Section V "Significant events" in the interim report of the Company for 2018. The Shanghai Jing'an Court has held its third hearing on November 3, 2018. The case has not yet been decided by now.
- (2) The case, of which O:TU INVESTMENTS LIMITED filed a lawsuit against Shanghai International Wine Exchange Co., Ltd., and Everbright Fortune Investment Co., Ltd., a subsidiary of the Company, has been disclosed in "XII. Other significant events and subsequent events" of Section V "Significant events" in the interim report of the Company for 2018. The Shanghai Second Intermediate People's Court held a hearing on September 11, 2018. The case has not yet been decided by now.
- (3) The case, of which Everbright Fortune filed a lawsuit against Wuyang Construction Group Co., Ltd. (五洋建設集團股份有限公司), has been disclosed in "XII. Other significant events and subsequent events" of Section V "Significant events" in the interim report of the Company for 2018. On November 27, 2018, Shanghai Second Intermediate People's Court ruled to terminate the execution procedure. At present, Wuyang Construction entered into bankruptcy proceedings and Everbright Fortune is declaring bankruptcy claims.

## SECTION V SIGNIFICANT EVENTS

- (4) The case, of which Everbright Fortune filed a lawsuit 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) with Wuyang Construction as the third party, has been disclosed in “XII. Other significant events and subsequent events” of Section V “Significant events” in the interim report of the Company for 2018. On November 29, 2018, the Jinhua Intermediate People’s Court ruled to reject the appeal and maintained the original judgment.
- (5) The case, of which Mr./Ms. Cheng filed a lawsuit against Wuyang Construction Group Co., Ltd., Yiwu Urban and Rural New Community Investment and Construction Group Co., Ltd. with Everbright Fortune as the third party, has been disclosed in “XII. other significant events and subsequent events” of Section V “Significant events” in the interim report of the Company for 2018. On October 24, 2018, the Jinhua Intermediate People’s Court decided to reject the appeal and maintained the original judgment.
- (6) The case, of which China Everbright Securities (HK) Limited filed a bankruptcy petition against its client Mr./Ms. Li to a Hong Kong court, has been disclosed in “XII. Other significant events and subsequent events” of Section V “Significant events” in the interim report of the Company for 2018. On the trial hearing in November 2018, the court requested Mr./Ms. Li to submit affidavit stating his reasons for opposing the bankruptcy order in the middle of December 2018. Mr./Ms. Li applied for a delay in filing his affidavit stating his reasons for opposing the bankruptcy order, so the relevant hearing was held on 27 February 2019. The parties are currently working on an out-of-court settlement, but no consensus has been reached.
- (7) The case, of which China Everbright Securities (HK) Limited filed a lawsuit against its client Mr./Ms. Man, has been disclosed in “XII. Other significant events and subsequent events” of Section V “Significant events” in the interim report of the Company for 2018. The second pre-trial session was held on November 14, 2018, and the third was held on November 30, 2018. The case has not yet been decided by now.

## SECTION V SIGNIFICANT EVENTS

### (III) Important events in relation to wholly-own subsidiaries

Everbright Capital, a wholly-owned subsidiary of the Company, is principally engaged in private equity investment fund business. Everbright Jinhui Asset Management Co., Ltd. (Shanghai) (referred to as "Everbright Jinhui") is a subsidiary of Everbright Capital. In 2016, Everbright Jinhui partnered with Baofeng Group Co., Ltd to establish Shanghai Jinxin Investment Consulting Partnership (Limited Partnership) ("Jinxin Fund"). On February 25, 2019, the investment period of the Jinxin Fund expired but we failed to exit as originally planned. Announcement on Important Events of Wholly-own Subsidiaries (announcement No.: Lin 2019-008), Announcement on Progress (announcement No.: Lin 2019-012), Announcement on Making Provision for Estimated Liabilities and Assets Impairment have been disclosed by the Company on February 2, March 2 and March 20, 2019, respectively. The details of relevant litigations of the events are as follows:

- (1) The arbitration dispute case between Shanghai Hua Rui Bank Co., Ltd. ("Hua Rui Bank") and Everbright Jinhui has been disclosed in the section "3. Major events" of the Company's third quarterly report of 2018. On November 15, 2018, Everbright Capital received a notice from the court that Hua Rui Bank, taking Everbright Capital as the defendant in the same case, filed a civil lawsuit with the Shanghai financial court, involving an amount of approximately RMB431.36 million. At present, the arbitration dispute case in which Everbright Jinhui involved has been heard for the first time and pending for judgement and the civil litigation case in which Everbright Capital involved has not yet opened a trial.
- (2) On November 14, 2018, Everbright Jinhui received the notice of arbitration. Shenzhen Hengxiang Equity Investment Fund LLP (limited partnership)\* (深圳恒祥股權投資基金企業(有限合夥)) (hereinafter referred to as "Shenzhen Hengxiang") submit a case to the Shanghai International Economic And Trade Arbitration Commission (Shanghai International Arbitration Center) against Everbright Jinhui, for arbitration of the partnership agreement and supplementary agreement disputes with an amount involved of approximately RMB167.81 million. On March 7, 2019, Shanghai International Economic And Trade Arbitration Commission (Shanghai International Arbitration Center) informed the arbitration procedure of this case to be suspended, and then the arbitration procedure of the case was informed to be resumed on March 12, 2019.
- (3) On March 13, 2019, due to the share buy-back contract dispute, Everbright Jinhui, serving as the executive partner of JinXin Fund, jointly lodged a civil action with JinXin Fund to Beijing Higher People's Court against Baofeng Group and its actual controllers Feng Xin. Because Baofeng Group and Feng Xin failed to perform equity repurchase obligation under relevant agreement, which constituted a default, the plaintiff required the defendant to compensate for certain loss caused by non-fulfillment of their obligation to repurchase, including interest income of bank loan due to a special purpose vehicle company under JinXin Fund, and interest and other costs paid to relevant investors, totaling approximately RMB751.188 million.

## SECTION V SIGNIFICANT EVENTS

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

- (1) On November 5, 2018 and November 8, 2018, the Company submit two cases to China International Economic And Trade Arbitration Commission(CIETAC) against Guo Fu Futures Co., Ltd.\* (國富期貨有限公司) and to the Shanghai International Economic And Trade Arbitration Commission against Shanghai Yuben Enterprise Management Co., Ltd.\* (上海御本企業管理有限公司) and Mr./Ms. Teng, for arbitration of contract disputes over financial derivatives trading for arbitration. An amount involved of all three cases amounted to approximately RMB125.06 million. None of the three cases has yet been heard by now.
- (2) On December 13, 2018, Everbright Capital filed an arbitration application to South China International Economic and Trade Arbitration Commission (also known as the Shenzhen Court of International Arbitration) against Ma Haike and Ningxia Dehong Jinrong Logistics Co., Ltd. (寧夏德泓金榮物流有限公司) over the disputes on the share repurchase agreement with an amount involved of approximately RMB73.90 million. The case has not yet been heard by now.
- (3) On January 2, 2019, Everbright Fortune received a copy of the bill of complaint. Ruifeng investment Co., Ltd.\* (銳豐投資有限公司) in Ningbo Meishan bonded area (寧波梅山保稅港區) submit a case to the Beijing Xicheng District People's Court against China Beijing Equity Exchange Co., Ltd. and Everbright Fortune over equity transfer disputes. The plaintiff subsequently changed the claims and the amount involved amounted to approximately RMB2.3824 million.
- (4) On January 11, 2019, the Company received a notice of response to the lawsuit. Mr./Ms. Wang filed a lawsuit to the Jing'an Court of Shanghai against the Company and Mr./Ms. Wu over the implementation of the dispute with an amount involved of approximately RMB13.90 million. On February 21, 2019, Shanghai Jing'an Court held a hearing. The case has not yet been decided by now.
- (5) On August 23, 2018, Everbright Leasing officially filed a lawsuit to the Shanghai financial court against Hainan Yinding Industrial Company (海南寅鼎實業公司) on the dispute over the finance lease contract with an amount involved of approximately RMB139.67 million. At the same time, the relevant joint and several liability guarantor is required to undertake the corresponding joint and several liability. The Shanghai financial court has issued the first trial judgment, supporting all the litigation claims of Everbright Leasing.

## SECTION V SIGNIFICANT EVENTS

- (6) On March 18, 2019, the Advance Notice on Administrative Supervision Measures of Ordering Everbright Securities Co., Ltd. to Increase the Number of Internal Compliance Inspections and Submit Compliance Inspection Reports (Hu Zheng Jian Ji Gou Zi [2019] No. 76) (《關於對光大證券股份有限公司採取責令增加內部合規檢查次數並提交合規檢查報告行政監管措施的事先告知書》(滬證監機構字[2019]76號)), the Decision on Implementation of Measure of Regulatory Talk with Xue Feng (Hu Zheng Jian Decision [2019] No. 24)(《關於對薛峰採取監管談話行政監管措施的決定》(滬證監決[2019]24號)) and the Decision on the Adoption of Regulatory Measures to Correct the Order against Everbright Capital Investment Co., Ltd (Hu Zheng Jian Decision [2019] No. 25) (《關於對光大資本投資有限公司採取責令改正監管措施的決定》(滬證監決[2019]25號)) was issued by Shanghai Bureau of the CSRC.

## VIII Development of Spin-off Listing of Hong Kong Business

As disclosed in the Company's 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 between January 1, 2017 and 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 (the "PN15 Waiver"), subject to certain conditions, 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.

Since 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 had 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.

## SECTION V SIGNIFICANT EVENTS

### IX Tax Relief

#### A Share shareholders

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

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

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



## SECTION V SIGNIFICANT EVENTS

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

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

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

## SECTION V SIGNIFICANT EVENTS

### H Share shareholders

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

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

## SECTION V SIGNIFICANT EVENTS

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

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

## SECTION V SIGNIFICANT EVENTS

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

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

### **X Other Information**

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

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### I Changes in Ordinary Share Capital

#### (I) Changes in ordinary share capital

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

As of December 31, 2018, the number of the Company's shares in issue amounted to 4,610,787,639, including 3,906,698,839 A Shares and 704,088,800 H Shares.

### II Issuance and Listing of Securities

#### (I) Issuance of securities during the Reporting Period

Types of shares and their derivative securities	Issue date	Issue price (or interest rate)	Issue size (RMB in 100 million)	Date of listing	Number of shares permitted to be listed for trading (RMB in 100 million)	Date of termination of transaction
Convertible corporate bonds, detachable convertible bonds and corporate bonds						
corporate bonds	January 18, 2018	5.55%	20	January 31, 2018	20	January 18, 2020
corporate bonds	January 18, 2018	5.45%	20	January 31, 2018	20	January 18, 2019
Short-term corporate bonds	March 19, 2018	5.22%	8	March 27, 2018	8	March 19, 2019
corporate bonds	April 18, 2018	4.78%	33	April 27, 2018	33	April 18, 2021
corporate bonds	April 18, 2018	4.68%	27	April 27, 2018	27	April 18, 2020
corporate bonds	May 7, 2018	4.79%	60	May 23, 2018	60	May 7, 2019
corporate bonds	July 30, 2018	4.67%	40	August 8, 2018	40	July 30, 2021
corporate bonds	July 30, 2018	4.55%	10	August 8, 2018	10	July 30, 2020
corporate bonds	September 26, 2018	4.30%	28	October 25, 2018	28	September 26, 2021
Subordinated bonds	December 13, 2018	4.30%	30	December 24, 2018	30	December 13, 2021

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

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

### III Information of Shareholders and De Facto Controller

#### (I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the Reporting Period	98,859 (of which 98,674 were holders of A Shares and 185 were registered holders of H Shares)
Total number of shareholders of ordinary shares at the end of last month	103,210 (of which 103,025 were holders of A Shares and 185 were registered holders of H Shares)

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

Unit: Shares

Name of shareholders (Full name)	Shareholding of top ten shareholders			Pledged or frozen shares		
	Changes in the	Number of shares	Percentage	Status	Number of	Nature of
	number of shares	held as of the end of				
	during the	the Reporting Period	(%)	of shares	shares	shareholders
	Reporting Period					
China Everbright Group Ltd.	0	1,159,456,183	25.15	Nil		State-owned legal person
China Everbright Limited	(92,000,000)	982,250,000	21.30	Nil		Foreign legal Person
HKSCC Nominees Limited	4,580	703,642,980	15.26	Unknown		Others
Pingan Dahua Fund – Pingan Bank						
– Ping An Bank Company Limited	(5,199,940)	147,518,447	3.20	Nil		Others
China Securities Finance Corporation Limited	(62,976,316)	137,863,472	2.99	Nil		Others
China Great Wall Asset Management Corporation	0	54,978,619	1.19	Nil		State-owned legal person
Central Huijin Asset Management Ltd.	0	37,568,900	0.81	Nil		State-owned legal person
HKSCC Limited	19,395,547	28,667,578	0.62	Nil		Others
ICBC Credit Suisse Fund – Agricultural Bank of						
China – CSI Financial Asset Management Plan	9,299,300	24,431,977	0.53	Nil		Others
E Fund – Agricultural Bank of China						
– E Fund CSI Financial Asset Management Plan	9,299,300	23,174,586	0.50	Nil		Others

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### Shareholding of top ten shareholders without selling restrictions

Name of shareholders (Full name)	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
China Everbright Group Ltd.	1,159,456,183	RMB ordinary shares	1,159,456,183
China Everbright Limited	982,250,000	RMB ordinary shares	982,250,000
HKSCC Nominees Limited	703,642,980	Overseas listed foreign shares	703,642,980
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	147,518,447	RMB ordinary shares	147,518,447
China Securities Finance Corporation Limited	137,863,472	RMB ordinary shares	137,863,472
China Great Wall Asset Management Corporation	54,978,619	RMB ordinary shares	54,978,619
Central Huijin Asset Management Ltd.	37,568,900	RMB ordinary shares	37,568,900
HKSCC Limited	28,667,578	RMB ordinary shares	28,667,578
ICBC Credit Suisse Fund – Agricultural Bank of China – CSI Financial Asset Management Plan	24,431,977	RMB ordinary shares	24,431,977
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	23,174,586	RMB ordinary shares	23,174,586
<b>Description of the connected relationships or action in concert between the above shareholders</b>	<p>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.</p> <p>Save for the above, the Company is unaware of whether the above shareholders are connected to each other or are parties acting in concert.</p>		

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

Note 2: In the table above, the shares held by HKSCC Nominees Limited are listed foreign shares (H Shares) and the shares held by other shareholders are RMB denominated ordinary shares (A Shares). HKSCC Limited is the nominee holder of the Shanghai Connect shares.

Note 3: The nature of shareholders of A Shares set out in the table above represents that of accounts registered by such shareholders with China Securities Depository and Clearing Corporation Limited (Shanghai Branch).



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### IV Controlling Shareholder and De Facto Controller

#### (I) Controlling shareholder

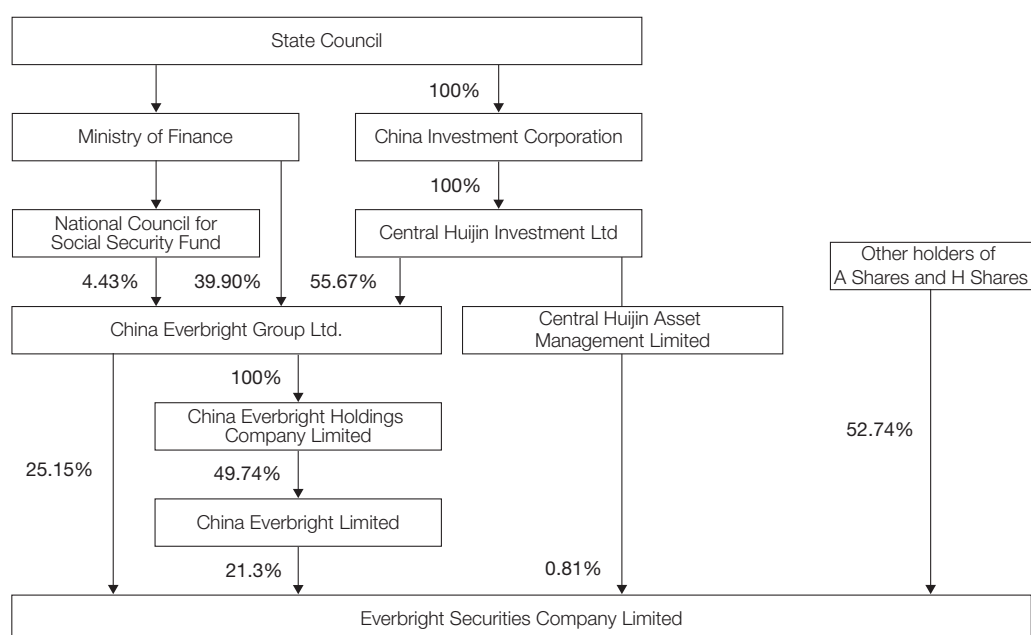
##### 1. Legal person

Name	China Everbright Group Ltd.
Person in charge of the unit or legal representative	Li Xiaopeng
Date of establishment	November 12, 1990
Principal business	Investment and management of the financial business, including banking, securities, insurance, funds, trust, futures, leasing, gold and silver transactions; asset management; investment and management of non-financial business. (The company may select and commence business projects of its own accord in accordance with the law; the business activities required to obtain approval by law may only be carried out upon approval by the relevant authorities; and the business activities forbidden or restricted by municipal industrial policies are prohibited.)
Shareholding in other domestic and overseas listed subsidiaries and investees during the Reporting Period	<ul style="list-style-type: none"> <li>• directly and indirectly holding 29.00% of Everbright Bank</li> <li>• directly and indirectly holding 49.74% of Everbright Limited</li> <li>• directly and indirectly holding 41.95% of China Everbright International Limited</li> <li>• directly and indirectly holding 20.00% of China CYTS Tours Holding Co., Ltd.</li> <li>• directly and indirectly holding 16.72% of Cachet Pharmaceutical Co., Ltd.</li> <li>• directly and indirectly holding 4.43% of Shenwan Hongyuan Group Co., Ltd.</li> <li>• directly and indirectly holding 74.99% of Everbright Grand China Assets Limited</li> </ul>

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

Shareholding structure as of December 31, 2018

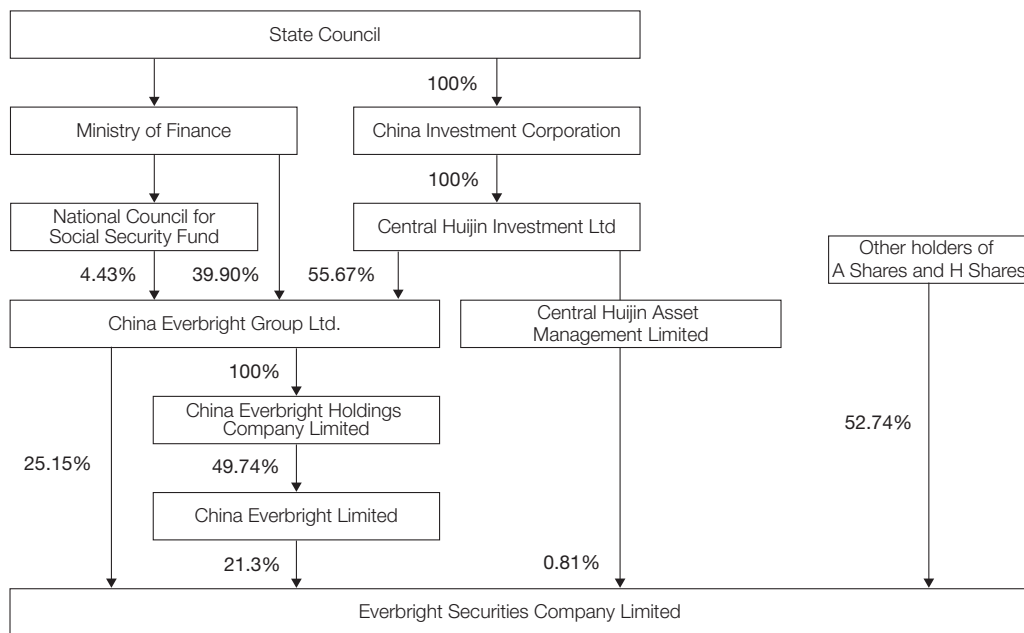


## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### (II) De facto controller

1. The de facto controller shall be disclosed to the level of state-owned assets management authority in accordance with the No. 2 of Contents and Format of the Information Disclosure for Companies Offering Securities Publicly – the Contents and Format of Annual Report (revised in 2016). The de facto controller of the Company is State Council, the ownership and controlling relationship between the Company and the de facto controller is as shown as above.
2. Chart of the ownership and controlling relationship between the Company and de facto controller

Shareholding structure as of December 31, 2018



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

As of December 31, 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 shareholders <sup>(8)</sup>	Type of share	Nature of interests	Number of corresponding shares of the Company held <sup>7</sup> (share)	Percentage of total issued shares of the Company <sup>7</sup> (%)	Percentage of total issued A Shares/ H Shares of the Company <sup>7</sup> (%)	Long position/ short position
1	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	A Share	Interests in controlled corporation <sup>1</sup>	37,568,900	0.81	0.96	Long position
		A Share	Interests in controlled corporation <sup>2</sup>	2,141,706,183	46.45	54.82	Long position
				2,179,275,083	47.26	55.78	Long position
2	Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	A Share	Beneficial owners	37,568,900	0.81	0.96	Long position
3	China Everbright Group Ltd. (中國光大集團股份有限公司)	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
				2,141,706,183	46.45	54.82	Long position
4	China Everbright Holdings Company Limited (中國光大集團有限公司)	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
5	Datten Investments Limited	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
6	Honorich Holdings Limited	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
7	China Everbright Limited (中國光大控股有限公司)	A Share	Beneficial owners	982,250,000	21.30	25.14	Long position
8	China State Construction Engineering Corporation	H Share	Interests in controlled corporation <sup>4</sup>	138,812,800	3.01	19.72	Long position
9	China State Construction Engineering Corporation Limited (中國建築股份有限公司)	H Share	Interests in controlled corporation <sup>4</sup>	138,812,800	3.01	19.72	Long position
10	CSCEC Capital (Hong Kong) Limited	H Share	Beneficial owners	138,812,800	3.01	19.72	Long position

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

Notes:

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

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

4. China State Construction Engineering Corporation Limited held 100% of the total issued share capital in CSCEC Capital (Hong Kong) Limited; China State Construction Engineering Corporation held 56.26% of the total issued share capital in China State Construction Engineering Corporation Limited. Accordingly, China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation are deemed to be interested in CSCEC Capital (Hong Kong) Limited's interests in the Company under the SFO.
5. Guangdong Hengjian Investment Holding Co., Ltd held 100% of the total issued share capital in Hengjian International Investment Holding (Hong Kong) Limited. Accordingly, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in Hengjian International Investment Holding (Hong Kong) Limited's interest in the Company under the SFO.
6. China Shipbuilding Industry Corporation held 100% of the total issued share capital in China Shipbuilding Capital Limited. Accordingly, China Shipbuilding Industry Corporation is deemed to be interested in China Shipbuilding Capital Limited's interest in the Company under the SFO.
7. As of December 31, 2018, the total issued shares of the Company were 4,610,787,639, of which 3,906,698,839 were A Shares and 704,088,800 were H Shares.
8. Under Part XV of the SFO, disclosure of interest forms shall be submitted by shareholders of the Company upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Company, shareholders are not required to inform the Company and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial shareholders' latest shareholdings in the Company and the information on their shareholdings submitted to the Hong Kong Stock Exchange.

Save as disclosed above, as of December 31, 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.

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

Name of legal-person shareholder	Person in charge of the unit or legal representative	Date of establishment	Code of the organization	Registered capital	Main business or managed activities
China Everbright Limited	Cai Yunge	August 25, 1972 (China Everbright Limited was previously known as Intercontinental Housing Development Ltd. (明輝發展有限公司), and its name was changed to China Everbright Limited in 1997)	N/A	HK\$1,685,253,712 (as of December 31, 2018)	China Everbright Limited is China's leading cross-border investment and asset management company, through the management of multiple private equity funds, venture capital funds, industrial funds, mezzanine funds, parent funds, fixed income and equity funds and the use of strong self-owned funds, the company, together with investors, has cultivated a number of companies with high growth potential. At the same time, the company also cooperated with the development needs of Chinese enterprises, combined overseas technological advantages with the Chinese market, and provided diversified financial services for Chinese customers to participate in overseas investment.

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### VI Sufficient Public Float

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

1. 14.39% of the total issued share capital of the Company;
2. such percentage of H Shares of the total issued share capital of the Company to be held by the public immediately after completion of the global offering (assuming the over-allotment option is not exercised); or
3. such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public after the exercise of the over-allotment option.

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

### VII Repurchase, Sale or Redemption of the Listed Securities of the Company and Its Subsidiaries

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

### VIII Preference Shares

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



## SECTION VII

### PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEE

#### I Changes in Shareholding and Remuneration

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

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

Name	Position <sup>(note)</sup>	Gender	Year of birth	Start of the term of office	Expiration of the term of office	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any related party of the Company or not
Xue Feng	Chairman, Executive Director	Male	1967	October 17, 2017	October 16, 2020	274.18	No
Yan Jun	Vice-chairman-elect, Executive Director	Male	1970	August 9, 2018	October 16, 2020	0.00	Yes
Ju Hao	Non-executive Director	Male	1959	October 17, 2017	October 16, 2020	0.00	No
Song Bingfang	Non-executive Director	Male	1971	August 13, 2018	October 16, 2020	0.00	Yes
Yin Lianchen	Non-executive Director	Male	1966	October 17, 2017	October 16, 2020	0.00	Yes
Chan Ming Kin	Non-executive Director	Male	1969	October 17, 2017	October 16, 2020	0.00	Yes
Xue Keqing	Non-executive Director	Male	1963	November 9, 2017	October 16, 2020	0.00	Yes
Meng Xiangkai	Non-executive Director	Male	1961	March 15, 2018	October 16, 2020	0.00	Yes
Xu Jingchang	Independent Non-executive Director	Male	1965	October 17, 2017	October 16, 2020	12.11	No
Xiong Yan	Independent Non-executive Director	Male	1956	October 17, 2017	October 16, 2020	12.11	No
Li Zheping	Independent Non-executive Director	Male	1965	October 17, 2017	October 16, 2020	12.11	No
Au Sing Kun	Independent Non-executive Director	Male	1952	October 17, 2017	October 16, 2020	12.11	No
Wang Yong (Independent Non-executive Director)	Independent Non-executive Director	Male	1966	November 1, 2018	October 16, 2020	1.98	No
Liu Jiping	Chairman of the Supervisory Committee	Male	1964	October 17, 2017	October 16, 2020	180.90	No
Zhang Jingcai	Supervisor	Male	1963	October 17, 2017	October 16, 2020	0.00	Yes
Wang Hongyang	Supervisor	Male	1977	October 17, 2017	October 16, 2020	0.00	Yes
Zhu Wuxiang	External Supervisor	Male	1965	October 17, 2017	October 16, 2020	8.33	No
Sun Wenqiu	External Supervisor	Male	1967	September 30, 2018	October 16, 2020	2.08	No
Wang Wenyi	Employee Supervisor	Female	1966	October 17, 2017	October 16, 2020	90.98	No
Huang Qin	Employee Supervisor	Female	1975	October 17, 2017	October 16, 2020	110.33	No
Li Xianzhi	Employee Supervisor	Male	1965	October 17, 2017	October 16, 2020	123.67	No
Zhou Jiannan	Executive President	Male	1969	December 5, 2017	-	215.70	No

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

Name	Position <sup>(note)</sup>	Gender	Year of birth	Start of the term of office	Expiration of the term of office	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any related party of the Company or not
Xiong Guobing	Vice President	Male	1968	September 14, 2007	-	169.62	No
Wang Cuiting	Vice President	Female	1966	May 30, 2005	-	169.85	No
Wang Zhong	Vice President	Male	1972	March 12, 2015	-	162.78	No
Mei Jian	Vice President	Male	1970	January 12, 2017	-	169.78	No
Chen Lan	Chief Compliance Officer	Female	1969	December 29, 2008	-	130.29	No
Wang Yong (Senior Management)	Chief Risk Officer	Male	1964	August 5, 2014	-	408.63	No
Li Bingtao	Business Line Director	Male	1976	February 13, 2017	-	251.50	No
Pan Jianyun	Business Line Director	Male	1970	February 8, 2017	-	142.52	No
Zhu Qin	Secretary to the Board	Female	1970	February 6, 2017	-	129.16	No
Dong Jie	Business Line Director	Female	1967	July 22, 2017	-	122.97	No
<b>Total</b>	/	/	/	/	/	<b>2,913.69</b>	/

## Notes:

- (1) The Directors, Supervisors and senior management of the Company do not hold any shares of the Company, and there was no change in shareholdings during the reporting Period.
- (2) Mr. Gao Yunlong resigned as a director of the Company on 4 April 2018 while Mr. Ge Haijiao resigned as a director of the Company on 21 June 2018. During the reporting Period, Mr. Gao Yunlong and Mr. Ge Haijiao did not receive any remuneration from the Company. Mr. Zhang Limin resigned as a supervisor of the Company on 22 June 2018. During the reporting Period, Mr. Zhang Limin received total pre-tax remuneration of RMB41,700 from the Company.
- (3) Mr. Wang Yong was elected as a Director of the Company at the 2018 first extraordinary general meeting of the Company, with effect from 1 November 2018 in accordance with the Approval of Wang Yong's Qualification as an Independent Director of the Securities Company (Hu Zheng Jian Xu Ke [2018] No. 89). Mr. Sun Wenqiu was elected as a supervisor of the Company at the 2018 first extraordinary general meeting of the Company, in accordance with the Approval of Sun Wenqiu's Qualification as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 79) issued by the Shanghai Securities Regulatory Bureau, Mr. Sun Wenqiu has been performing his duties since 30 September 2018.
- (4) Mr. Li Bingtao receives remuneration as business line director from overseas subsidiaries of the Company. His remuneration shown above was converted into RMB amount from HK dollars.

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

### 3. Biographical Details of Current Directors, Supervisors and Senior Management

Name	Main Working Experience
Xue Feng (薛峰)	Mr. Xue is currently the chairman and an executive Director of the Company, chairman of EBSHK, chairman of SHKFGL, chairman of Everbright SHK and a director of China Securities Credit Investment Co., Ltd.. He held various positions with the PBOC, including serving as deputy branch director of the Dalian Development Zone branch and vice director of Dalian Development Zone branch of the SAFE. He served as general office director and deputy director of the Dalian Office of CBRC, deputy director of the general office of Everbright Group. He also served as vice mayor of Jingmen City, Hubei Province, vice president, president and vice chairman of the Company, chairman of Everbright Fortune, chairman of Everbright Yunfu and chairman of Everbright Eascreate.
Yan Jun (閆峻)	Mr. Yan currently serves as the secretary of the party committee of the Company, vice chairman (not in effect) and executive Director of the Company. He previously served at Industrial and Commercial Bank of China Limited ("ICBC") as deputy director of the credit department of communications and trade of the head office branch, deputy director and director of the third business department of the head office branch, vice general manager of the head office branch, executive director and vice president of ICBC Financial Leasing Co., Ltd., vice president and member of the party committee of Jiangxi Branch of ICBC and vice general manager and general manager of the special financing department (branch office) of the head office of ICBC; the officer of deepening reform and the office executive deputy director of the Central Leading Group for Comprehensively Deepening Reforms of China Everbright Group Ltd.

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

Name	Main Working Experience
Ju Hao (居昊)	Mr. Ju is currently a non-executive Director of the Company, a director of Everbright Group, a director of China Everbright Industrial (Group) Co., Ltd., and also holds positions in Central Huijin Investment Ltd.; he successively served as a deputy director of corporate finance asset accounting regulatory management department and general affairs department, the director of the second division of the Department of Treaty and Law of the Ministry of Finance, a deputy director (director level) and director of research division and assistant counsel of the economic department of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region, an assistant counsel of the department of treaty and law, deputy counsel of the education, science and culture division and counsel of the social security division of the Ministry of Finance.
Song Bingfang (宋炳方)	Mr. Song is currently a non-executive Director of the Company and a senior expert in the board office of China Everbright Group Ltd. He was a cadre of the business development department of China Investment Bank, a cadre of the market and industry analysis bureau of China Development Bank, a cadre, deputy head, head and senior manager of corporate business department of China Everbright Bank Company Limited, (during the same period, he took a temporary post as an assistant to director of the financial affairs office of the People's Government of Inner Mongolia Autonomous Region) and the director and assistant to the general manager of the strategic planning department, assistant to the director and deputy director of the office of the board of directors and the office of the Supervisory Committee of Everbright Group.
Yin Lianchen (殷連臣)	Mr. Yin is currently a non-executive Director of the Company, chief investment officer and a member of the management decision committee, executive Director, and a member of the Executive Committee and the Strategy Committee of Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 165) and a supervisor of China Everbright Bank Company Limited (a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 601818, Hong Kong Stock Exchange stock code: 6818). He held various positions in Everbright Limited, including the general manager of the insurance agency department and general manager of the corporate planning and communications department. Mr. Yin worked as chief representative of America Moody KMV Company (China), vice president of Beijing Yangde Investment Co., Ltd., director of the general division of the general office of Everbright Group and assistant general manager and member of the management committee of Everbright Limited.

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

Name	Main Working Experience
Chan Ming Kin (陳明堅)	Mr. Chan is currently a non-executive Director of the Company, chief legal counsel and company secretary and a member of the investment decision committee of Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 165). He served as a Supervisor of the Company from July 2008 to October 2014. Mr. Chan is a Hong Kong lawyer with years of experience in private practice and as an in-house lawyer. Mr. Chan is also a fellow of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
Xue Keqing (薛克慶)	Mr. Xue is currently a non-executive Director of the Company and the Secretary of the Board of China State Construction Engineering Corporation Limited. He previously served as general manager of the treasury department, general manager of the finance department and deputy chief accountant of China State Construction Engineering Corporation Limited, general manager and legal representative of China Construction CPA Limited, vice chairman, director and general manager of China State Construction Finance Co., Ltd, and the chief financial officer of China State Construction Engineering Corporation Limited.
Meng Xiangkai (孟祥凱)	Mr. Meng is currently a non-executive Director of the Company and an executive director and general manager of China Shipbuilding Capital. He is also an independent director of Weihai Guangtai Airport Equipment Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code 002111). He formerly served as the secretary of the Party committee, vice chairman and president of Xi'an Aircraft Industry (Group) Company Ltd., general manager and chairman of Xi'an Aircraft International Corporation (西安飛機國際航空製造股份有限公司) (currently known as AVIC Aircraft Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code 000768), general manager and chairman of China Aviation Industry General Aircraft Co., Ltd., deputy chief economist of Aviation Industry Corporation of China, chairman of AVIC Heavy Machinery Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code 600765), director and secretary of the Party committee of Gree Electric Appliances, Inc. of Zhuhai (a company listed on the Shenzhen Stock Exchange, stock code 000651), secretary of the Party committee of Zhuhai Gree Group Co., Ltd., and an independent director of Beijing UniStrong Science & Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code 002383).

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

Name	Main Working Experience
Xu Jingchang (徐經長)	Mr. Xu is currently an independent non-executive Director of the Company. He serves as dean, professor and doctoral tutor of the accounting department of the School of Business of Renmin University of China. Mr. Xu is an independent director of CITIC Heavy Industries Co., Ltd. (a company listed on the SSE, stock code: 601608), an independent director of Sinochem International Corporation (a company listed on the SSE, stock code: 600500) and an independent director of Hainan Airlines Holding Company Limited (a company listed on the SSE, stock code: 600221). Mr. Xu is also an executive member of the council of the Banking Accounting Society of China and a member of the council of the Accounting Society of China. Mr. Xu was previously deputy dean of the accounting department of the School of Business of Renmin University of China.
Xiong Yan (熊焰)	Mr. Xiong is currently an independent non-executive Director of the Company. He serves as chairman of Beijing Guofu Capital Co., Ltd., independent director of Beijing Watertek Information Technology Co., Ltd. (a company listed on the SZSE, stock code: 300324), vice chairman of the 3rd council of China Mergers and Acquisitions Association. He previously worked as a director, president and chairman of Beijing Property Rights Exchange Co., Ltd., chairman of Beijing Environment Exchange, chairman of China Technology Exchange, chairman and president of Beijing Financial Assets Exchange. He was also an independent director of Cachet Pharmaceutical Co., Ltd. (a company listed on the SZSE, stock code: 002462).
Li Zheping (李哲平)	Mr. Li is currently an independent non-executive Director of the Company. He serves as an editor-in-chief of the magazine "Modern Bankers" and independent director of UBS SDIC Fund Management Co., Ltd., AVIC Securities Co., Ltd. and Guangdong Nanyue Bank Co., Ltd.. Mr. Li previously served as an editor-in-chief of the theory edition of the "China Securities Journal" and chairman of Tongxin Assets Appraisal Co., Ltd.. He was also an independent director of China CITIC Bank Corporation Limited (a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 601998, Hong Kong Stock Exchange stock code: 998).

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

Name	Main Working Experience
Au Sing Kun (區勝勤)	Mr. Au is currently an independent non-executive Director of the Company and a director of Nice International Investments Limited. He held various positions with HSBC, including serving as regional manager, manager of the credit department and branch president of HSBC (Hong Kong), chief operating officer of HSBC (China), branch president of HSBC, Shenzhen Branch, and chief executive officer of HSBC (Macau). He also was the chairman of the Association of Shenzhen Foreign Financial Institutions, vice chairman of the Macau Association of Banks and an independent director of Shenzhen Expressway Company Limited (a company listed on the SSE and the Hong Kong Stock Exchange, SSE stock code: 600548, Hong Kong Stock Exchange stock code: 548).
Wang Yong (王勇)	Mr. Wang is currently a non-executive Director of the Company, the assistant to the dean of the School of Economics and Management, Tsinghua University. He is also the office director of the Business Scholars Program, director of the Cooperative Development Office and director of the Executive Committee of the China Enterprise Development and M&A Research Center. He is also an independent director of Rici Healthcare Holdings Limited (a company listed on the Hong Kong stock exchange, stock code 1526). He served as the project director of the Institute of Mechanical and Electrical, the deputy manager of the Mechanical and Electrical Equipment Plant, the manager of Water and Power Equipment Model Plant of China Institute of Water Resources and Hydropower Research (中國水電科學院), the deputy general manager of SRIT NETech Co., Ltd. (國研網絡數據科技有限公司), an independent director of Shenzhen Clou Electronics Co., Ltd. (a company listed on SSE, stock code 002121) (深圳市科陸電子科技股份有限公司) and Shenzhen Ocean's King Lighting Science & Technology Co., Ltd. (a company listed on SSE, stock code 002724) (深圳市海洋王照明科技股份有限公司).
Liu Jiping (劉濟平)	Mr. Liu is currently a chief Supervisor of the Company. From September 2002 to June 2005, he served as a Director of the Company. Mr. Liu previously served as a director, deputy director and head of the audit department of the Everbright Group, chief supervisor of Shanghai Everbright Convention & Exhibition Center Co., Ltd., a supervisor of Everbright Investment and Management Limited, and a director of Everbright Financial Holding Asset Management Co., Ltd.. Mr. Liu was also a deputy director and a director of the investment and audit division of the State Auditing Administration.

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

Name	Main Working Experience
Zhang Jingcai (張敬才)	Mr. Zhang is currently a Supervisor of the Company and director of the board office of China Everbright Group Ltd. Mr. Zhang is a non-practicing member of the Chinese Institute of Certified Public Accountants. He held various positions in China Everbright Bank Company Limited (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, Shanghai Stock Exchange stock code: 601818, Hong Kong Stock Exchange stock code: 6818), including manager and assistant to general manager of credit department of the head office, general manager of credit management department of the head sales office, deputy general manager and general manager of corporate banking department of the head office, vice president of Dalian Branch, director of the Northern Regional Credit Approval Center, and general manager of credit approval department of the head office.
Wang Hongyang (汪紅陽)	Mr. Wang is currently a Supervisor of the Company, deputy chief financial officer of Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 165), and vice chairman of Everbright Prestige Capital Asset Management Co., Ltd. Mr. Wang is a non-practicing member of the Chinese Institute of Certified Public Accountants. He was an associate, assistant manager, manager, senior manager and partner of KPMG Huazhen LLP (Special General Partnership).
Zhu Wuxiang (朱武祥)	Mr. Zhu is currently an external Supervisor of the Company. He also serves as a professor and doctoral tutor of the Department of Finance of the School of Economics and Management of Tsinghua University. He is an independent director of Beijing Properties (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0925), China Fortune Land Development Co., Ltd. (a company listed on the SSE, stock code: 600340), AVIC Trust Co., Ltd., ZTE Corporation (a company listed on the SZSE and Hong Kong Stock Exchange, SZSE stock code: 000063, Hong Kong Stock Exchange stock code: 763), and China Cinda Asset Management Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 01359), as well as a supervisor of Unisplendour Corporation Limited (a company listed on the SZSE, stock code: 000938). He was the chairman of supervisor committee of Unisplendour Corporation Limited (a company listed on the SZSE, stock code: 000938), independent director of Dongxing Securities Co., Ltd. (a company listed on the SSE, stock code: 601198), independent director of Rongxin Power Electronic Co., Ltd. (a company listed on the SZSE, stock code: 002123), and independent director of Offshore Oil Engineering Co., Ltd. (a company listed on the SSE, stock code: 600583).



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

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

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

Name	Main Working Experience
Xiong Guobing (熊國兵)	Mr. Xiong is currently a vice president of the Company, chairman of Everbright Capital, chairman of Everbright Asset Management and chairman of Everbright Development. Mr. Xiong has served in various positions, including general manager of the Company's audit department, general manager of the Company's risk management department, director of Everbright Capital.
Wang Cuiting (王翠婷)	Ms. Wang is currently a vice president of the Company and chairman of Everbright Leasing. She was a secretary to the board of Everbright Pramerica Fund Management Co., Ltd.. She served in various positions, such as secretary to the Board and director of the Board office, general manager of the Company's human resources department. She also worked as a director of Everbright Asset Management, Everbright Capital and Everbright Fortune.
Wang Zhong (王忠)	Mr. Wang is currently a vice president of the Company. He served as an assistant to general manager of the Company's bonds division, deputy general manager of the Company's fixed income division. Mr. Wang served as assistant president and vice president of Everbright Financial Holding Asset Management Co., Ltd.. He previously worked as a business director of Guotai Junan An Securities Co., Ltd. (a company listed on the SSE and the Hong Kong stock Exchange, SSE stock code 601211, Hong Kong Stock Exchange stock code: 2611) and chairman of Everbright Fortune.
Mei Jian (梅鍵)	Mr. Mei is currently a vice president of the Company and chairman of Everbright Futures. He previously held various positions, including director of the Board office, director of the Company's general office, general manager of brokerage business division, secretary to the Board and assistant president.
Chen Lan (陳嵐)	Ms. Chen is currently the chief compliance officer of the Company and a supervisor of Everbright Capital. She previously served as a director of the CSRC legal department, director of the CSRC Administrative Penalty Committee and general manager of the Company's legal compliance department.
Wang Yong (王勇)	Mr. Wang is currently the chief risk management officer of the Company, a director of Everbright Asset Management and Everbright Capital. Mr. Wang worked for the Royal Bank of Canada and served as vice president and managing director of its quantitative risk analysis department.

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

Name	Main Working Experience
Li Bingtao (李炳濤)	Mr. Li is currently a business line director of the Company, a director and the general manager of EBSHK, an executive Director and the chief executive officer of Everbright SHK, and a director of Everbright Capital. He previously served as a professional adviser of the Planning and Development Committee and officer of the institutional supervision department of the CSRC, senior manager of the general office of Everbright Group; director of the Company's general office, an employee representative supervisor of the Company.
Pan Jianyun (潘劍雲)	Mr. Pan is currently a business line director of the Company and general manager of the investment banking management headquarters. He previously worked as a lawyer of Ningbo Beilun Law Firm, project manager, assistant to general manager, director of the legal affairs office, general manager of the investment banking headquarters of the investment banking division of Skyone Securities; general manager of the Company's investment banking division (Zhejiang) and the third division of the Company's investment banking division (Shanghai) and general manager of the investment banking headquarter.
Zhu Qin (朱勤)	Ms. Zhu is currently the secretary to the Board and securities affairs representative, and a director of Everbright SHK. She previously worked as a project manager, senior manager and executive director of the fourth division of the Company's investment banking division, assistant to the director, deputy director and director of the Board office.
Dong Jie (董捷)	Ms. Dong is currently a business line director of the Company and a director of Everbright Eascreate. She previously worked as a senior manager of budget finance department of Dalian branch of Bank of Communications Co., Ltd., assistant to the president and vice president of Dalian branch of China Everbright Bank Co., Ltd.

#### 4. Changes in shareholding of current Directors, Supervisors and senior management

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

#### 5. Equity incentives granted to Directors, Supervisors and senior management during the Reporting Period

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

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

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

#### (I) Positions held in the shareholders

Name of employee	Name of shareholding companies	Positions held in the shareholding companies	Start of the term of office	Expiration of the term of office
Ju Hao	China Everbright Group Ltd.	Director	June 2015	–
Song Bingfang	China Everbright Group Ltd.	Senior expert in the board office	August 2018	–
Yin Lianchen	China Everbright Limited	Chief investment officer and member of management decision committee	April 2012	–
Yin Lianchen	China Everbright Limited	Executive director, member of executive committee and strategy committee	June 2017	–
Chan Ming Kin	China Everbright Limited	General legal counsel and company secretary, member of investment decision committee	December 2007	–
Zhang Jingcai	China Everbright Group Ltd.	Director of the board office	May 2018	–
Wang Hongyang	China Everbright Limited	Deputy chief financial officer	October 2016	–

#### (II) Positions held in other companies

Name of employee	Name of other companies	Positions held in other companies	Start of the term of office	Expiration of the term of office
Xue Feng	China Securities Credit Investment Co., Ltd.	Director	May 2015	–
Ju Hao	Central Huijin Investment Ltd.	–	July 2015	–

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

Name of employee	Name of other companies	Positions held in other companies	Start of the term of office	Expiration of the term of office
Ju Hao	China Everbright Industrial (Group) Co., Ltd.	Director	September 2015	–
Yin Lianchen	China Everbright Bank Co., Ltd.	Supervisor	December 2014	–
Xue Keqing	China State Construction Engineering Corporation Limited	Secretary of the board of directors	June 2018	–
Xu Jingchang	CITIC Heavy Industries Co., Ltd.	Independent director	August 2017	–
Xu Jingchang	Sinochem International Corporation	Independent director	May 2014	–
Xu Jingchang	Hainan Airlines Holding Co., Ltd.	Independent director	November 2016	–
Xiong Yan	Beijing Guofu Capital Co., Ltd.	Chairman	April 2015	–
Xiong Yan	Beijing Watertek Information Technology Co., Ltd.	Independent director	June 2010	–
Li Zheping	UBS SDIC Fund Management Co., Ltd	Independent director	August 2008	–
Li Zheping	AVIC Securities Co., Ltd.	Independent director	October 2009	–
Li Zheping	Guangdong Nanyue Bank Co., Ltd.	Independent director	July 2014	–
Au Sing Kun	Nice International Investments Limited	Director	December 2009	–

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

Name of employee	Name of other companies	Positions held in other companies	Start of the term of office	Expiration of the term of office
Wang Yong	Rici Healthcare Holdings Limited	Independent director	June 2016	–
Wang Hongyang	Everbright Prestige Capital Asset Management Co., Ltd.	Vice chairman	November 2016	–
Zhu Wuxiang	Beijing Properties (Holdings) Limited	Independent non-executive director	January 2011	–
Zhu Wuxiang	China Fortune Land Development Co., Ltd.	Independent director	December 2013	–
Zhu Wuxiang	AVIC Trust Co., Ltd.	Independent director	August 2014	–
Zhu Wuxiang	ZTE Corporation	Independent non-executive director	March 2016	–
Zhu Wuxiang	China Cinda Asset Management Co., Ltd.	Independent non-executive director	October 2016	–
Zhu Wuxiang	Unisplendour Corporation Limited	Supervisor	May 2002	–
Sun Wenqiu	Zhejiang Hugeleaf Co., Ltd.	Vice chairman, president	March 2017	–
Sun Wenqiu	Caitong Fund Management Co., Ltd.	Director	June 2017	–
Sun Wenqiu	Qingdao Yibang Bioengineering Limited	Director	September 2017	–
Sun Wenqiu	Horgos Biok Pictures Limited	Chairman	August 2017	–

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

Name of employee	Name of other companies	Positions held in other companies	Start of the term of office	Expiration of the term of office
Sun Wenqiu	Zhejiang Hugeleaf Investment Management Limited	Chairman	November 2017	–
Sun Wenqiu	Hugeleaf Entertainment (Shanghai) Technology Limited	Chairman	November 2017	–
Sun Wenqiu	Shanghai Hanxin Culture & Media Co., Ltd.	Chairman	December 2017	–
Sun Wenqiu	Shanghai Hugeleaf Sports Development Co., Ltd.	Chairman	April 2018	–
Sun Wenqiu	Shanghai Duoli Financial Information Service Limited	Director	March 2018	–
Sun Wenqiu	Shanghai Bright Power Semiconductor Co., Ltd.	Independent director	February 2017	–

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

### III Remuneration of Directors, Supervisors and Senior Management

Decision-making  
procedures of  
remuneration of the  
Directors, Supervisors  
and senior management

The remuneration of the Company's independent non-executive Directors and external Supervisors shall be decided by the general meeting, and the remuneration of the senior management of the Company shall be decided by the Board. Remuneration, Nomination and Credentials Committee is responsible for advising the remuneration and structure of the Directors and senior management of the Company and the establishment of a remuneration policy with transparent procedures to the Board of Directors.

According to the relevant requirements of the Rules for Governance of Securities Companies, payment of more than 40% of annual performance-based remuneration for the senior management of the securities companies shall be deferred for a period of at least three years.

The basis for determining  
the remuneration of the  
Directors, Supervisors  
and senior management

Remuneration of the independent non-executive Directors and external Supervisors of the Company is determined with reference to that of similar listed companies in the same industry and based on actual situation of the Company. Remuneration of internal Directors, Supervisors holding a position in the Company and senior management is determined in accordance with the remuneration system of the Company and is also linked to position and performance.



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

Actual payment of remuneration of the Directors, Supervisors and senior management	<p>Details of the remuneration of the Directors, Supervisors and senior management of the Company are set out in “I. Changes in Shareholding and Remuneration – (I) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period” in Section VII “Particulars about Directors, Supervisors, Senior Management and Employee” of this report. According to the relevant requirements of the Rules for Governance of Securities Companies (《證券公司治理準則》), payment of more than 40% of annual performance-based remuneration for the senior management of the securities companies shall be deferred for a period of at least three years. Pursuant to the above requirement, as approved by the Board of the Company. The following personnel have received part of the 2017 annual bonus and deferred salary of previous years: Xue Feng (薛峰): RMB4,751,000; Liu Jiping (劉濟平): RMB3,882,800; Wang Wenyi (王文藝): RMB1,268,900; Huang Qin (黃琴): RMB1,506,600; Li Xianzhi (李顯志): RMB1,508,700; Zhou Jiannan (周健男): RMB346,700; Xiong Guobing (熊國兵): RMB3,614,000; Wang Cuiting (王翠婷): RMB3,356,300; Wang Zhong (王忠): RMB3,256,300; Mei Jian (梅鍵): RMB3,467,600; Chen Lan (陳嵐): RMB2,565,000; Wang Yong (王勇): RMB2,401,000; Li Bingtao (李炳濤): RMB1,892,300; Pan Jianyun (潘劍雲): RMB1,824,000; Zhu Qin (朱勤): RMB1,892,300; Dong Jie (董捷): RMB1,703,000.</p>
Total remuneration actually obtained by the Directors, Supervisors and senior management at the end of the Reporting Period	<p>Details of the actual payment of remuneration of the Directors, Supervisors and senior management are set out in “I. Changes in Shareholding and Remuneration – (I) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period” in Section VII “Particulars about Directors, Supervisors, Senior Management and Employee” of this report, which amounted to RMB29.1369 million. As approved by the Board of the Company, part of the 2017 annual bonus and deferred salary of previous years received by the Chairman, chairman of the Supervisory Committee, supervisors representing staffs and senior management of the Company in total amounted to RMB39.2365 million.</p>

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

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

Name	Position	Change	Reason for Change
Gao Yunlong	Non-executive Director	Resigned	On April 4, 2018, the Board received a resignation letter from Mr. Gao Yunlong, a director of the Company. Mr. Gao Yunlong ceased to be a director of the Company.
Ge Haijiao	Non-executive Director	Resigned	On June 21, 2018, the Board received a resignation letter from Mr. Ge Haijiao, a director of the Company. Mr. Ge Haijiao ceased to be a director of the Company.
Yan Jun	Executive Director	Elected	Mr. Yan Jun was elected as a Director of the Company at the first extraordinary general meeting of the Company in 2018. Mr. Yan Jun's appointment became effective from August 9, 2018 according to the Reply in Relation to the Approval of the Qualification of Yan Jun as Director of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 59). On January 25, 2019, Mr. Yan Jun was elected to be the vice chairman (executive director) of the fifth session of the Board of Directors of the Company at the 11th Meeting of the fifth session of Board of Directors of the Company. The appointment of Mr. Yan Jun shall take effect from the date when he obtains the qualification of vice chairman of the securities company.
Song Bingfang	Non-executive Director	Elected	Mr. Song Bingfang was elected as a Director of the Company at the first extraordinary general meeting of the Company in 2018. Mr. Song Bingfang's appointment became effective from August 13, 2018 according to the Reply in Relation to the Approval of the Qualification of Song Bingfang as Director of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 64).
Wang Yong	Independent Non-executive Director	Elected	Mr. Wang Yong was elected as a Director of the Company at the first extraordinary general meeting of the Company in 2018. Mr. Wang Yong's appointment became effective from November 1, 2018 according to the Reply in Relation to the Approval of the Qualification of Wang Yong as Director of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 89).
Zhang Limin	Supervisor	Resigned	On June 22, 2018, the Supervisory Committee received a resignation letter from Mr. Zhang Limin, a Supervisor of the Company. Mr. Zhang Limin ceased to be a supervisor of the Company.
Sun Wenqiu	Supervisor	Elected	Mr. Sun Wenqiu was elected as a Supervisor of the Company at the first extraordinary general meeting of the Company in 2018. Mr. Sun Wenqiu's appointment became effective from September 30, 2018 according to the Reply in Relation to the Approval of the Qualification of Sun Wenqiu as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 79).

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

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

#### (I) Information about the staff

As of December 31, 2018, the Company had 9004 employees (including 2,746 brokers), of which parent company had 7,032 employees, wholly owned and controlled subsidiaries had 1,972 employees. The employee structure is as follows:

Number of staff employed by the parent company (persons)	7,032
Number of staff employed by the major subsidiaries (persons)	1,972
The total number of staff employed (persons)	9,004
Number of paid retired staff by the parent company and its subsidiaries (persons)	3

#### Profession Composition

Profession	Number
Brokerage business	6,159
Investment banking business	674
Research department	189
Assets management business	178
Investment business personnel	144
Information technology	250
Financial department	167
Compliance/risk management/Internal audit	171
Other business and administration	1,072
<b>Total</b>	<b>9,004</b>

#### Education

Levels of education	Number
Doctoral degree	76
Master's degree	2,247
Bachelor's degree	4,660
Others	2,021
<b>Total</b>	<b>9,004</b>

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

### (II) Remuneration policy

The Company's compensation system consists of wages, allowances, bonuses and benefits. The wage system is based on rank-based system, competency, MD rank and performance of an employee; bonuses are linked with the performance of the Company and departments and performance and contribution of individuals; benefits include statutory benefits and supplementary benefits, in addition to statutory benefits, such as social insurance, housing provident fund and paid leave, the Company also offers its employees supplementary benefits, such as enterprise annuity, supplementary housing provident fund, supplementary insurance, medical examination and welfare annual leave. The compensation system that takes consideration to both fairness and difference and both incentive and guarantee will fully mobilize the enthusiasm of its employees and effectively releases its productivity.

The Company closely follows the needs of strategic development, reviews the structure and standard of salary on a regular basis pursuant to changes in external environment, benchmarking results in the industry and the performance of employee, and manages the compensation system in a dynamic manner to achieve the concept of compensation management of "improving market competitiveness, paying based on competency and performance and facilitating the development of business". Besides, the Company strictly controls risks, advocates the balance of constraint and incentive, and insist on the implementation of risk fund and deferred payment systems to achieve stable and sustainable development.

### (III) Training plan

The Company continues to enrich and improve its hierarchical education and training systems. By reference to other companies in the industry, the Company develops and implements annual training plans according to the strategic and business development needs of the Company based on the characteristics of employees' career development. The training work for the year emphasized on the three aspects of "implementation, highlighting key points and innovation and optimization" by taking the enhancement of execution as the core task and the development of management team and capacity building as the main focuses to improve the professional competence and comprehensive quality of employees in all aspects, and increased efforts in the training in branch offices to help them to form a team of training administrators and internal trainers, develop internal courses, and to leverage the role of training in promoting the development of business, transmitting culture and teaching know-how. In 2018, the Company hosted 163 internal training sessions with 8,378 participants, arranged 634 participants to take part in 170 external training sessions, and made full use of the new Internet media, ELN platform and SAC remote training platform to carry out online learning and WeChat group learning, and launch 450 video courses with 41,945 hours of online learning time to supplement offline training in an effective manner.

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

### (IV) Labor outsourcing

The total number of labor outsourcing	68 persons
The total amount of remuneration paid for labor outsourcing	RMB11,502,634

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

In 2018, the Company strictly complied with the relevant provisions of Interim Provisions on the Administration of Securities Brokers (《證券經紀人管理暫行規定》) ([2009] No. 2), Verification Opinions On-site of Securities Brokers System (《證券經紀人制度現場核查意見書》) (Hu Zheng Jian Ji Gou Zi [2009] No. 302) and its internal system. The Company centralized management of securities brokers to further regulate the practice of securities brokers to safeguard the legitimate rights and interests of clients through improving rules and regulations, the internal control mechanism, the support system and internal training.

As of the end of the Reporting Period, the Company had 228 securities brokerage branches to carry out securities brokerage business, and 2,483 domestic securities brokers in China, 2,483 of which have registered with the Securities Association of China.

### VII Other Matters

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

## SECTION VIII CORPORATE GOVERNANCE

### I Description of Corporate Governance

#### (I) Corporate governance

The Company is committed to building itself into an internationally competitive, first-class full-service investment bank. As a public company listed in both mainland China and Hong Kong, the Company has established a sound corporate governance system in strict compliance with the laws and regulations including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulations for Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules.

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

During the Reporting Period, the Company further revised and improved the Articles of Association, Everbright Securities Company Limited Proceeds Management and Utilization System, Work Rules for President of Everbright Securities Company Limited, and Related Party Transactions Management System of Everbright Securities Company Limited according to regulatory requirements and its business development needs. During the Reporting Period, the Company convened 3 general meetings, 8 Board meetings, 5 meetings of the Supervisory Committee, 4 meetings of the Audit Committee, 3 meetings of the Remuneration, Nomination and Credentials Committee, 2 meetings of Strategies and Development Committee and 1 meetings of the Risk Management Committee.

## SECTION VIII CORPORATE GOVERNANCE

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

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

According to Rule 3.21 of Hong Kong Listing Rules (in respect of audit committee), Rule 3.25 (in respect of remuneration committee) and paragraph A.5.1 of appendix 14 of Hong Kong Listing Rules (in respect of nomination committee), independent non-executive directors shall account for a larger portion of members of Remuneration, Nomination and Credentials Committee and Audit Committee of the Board of the Company. The Company adjusted the composition of the special committee of the Board at the 8th meeting of the fifth session of the Board of the Company held on 28 August 2018, and after the adjustment, independent non-executive directors who served in the Remuneration, Nomination and Credentials Committee and Audit Committee of the Board account for a half of the members. As such, the Board accordingly adjusted the composition of the special committee of the Board at the 13th meeting of the fifth session of the Board held at 27 March 2019. Currently, the composition of the special committee of the Board has conformed with the above requirements under Hong Kong Listing Rules and Corporate Governance Code.

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

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

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

## SECTION VIII CORPORATE GOVERNANCE

- (V) to review the Company' compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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

### II General Meeting

#### (I) Shareholders and the general meeting

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

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



## SECTION VIII CORPORATE GOVERNANCE

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

### (II) General meetings during the Reporting Period

Meeting	Date of meeting	Enquiry index of the websites designated for publication of the resolutions
2017 annual general meeting	May 15, 2018	For shareholders' resolutions during the Reporting Period, please refer to the announcements published on the following websites: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
The first extraordinary general meeting in 2018	August 9, 2018	
The second extraordinary general meeting in 2018	December 18, 2018	

### Description of General Meetings

- On May 15, 2018, the Company held the 2017 annual general meeting at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The meeting considered and approved the 2017 Report of the Board of Directors, the 2017 Report of the Supervisory Committee, the 2017 Annual Report, the 2017 Profit Distribution Plan, the Proposal of Expected Ordinary Related Party/Connected Transactions in 2018, the Proposal of Proprietary Trading Businesses Scale in 2018, the Proposal of the Engagement of External Auditors in 2018, the Proposal of the General Mandate to Issue Overseas Debt Financing Instruments and the Proposal of Issuing Asset-backed Securities.

## SECTION VIII CORPORATE GOVERNANCE

2. On August 9, 2018, the Company held the first extraordinary general meeting in 2018 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The meeting considered and approved the Resolution in relation to the Election of Directors, the Resolution in relation to the Election of Mr. Wang Yong as an Independent Non-executive Director of the Company and the Resolution in relation to the Election of Mr. Sun Wenqiu as a Supervisor of the Company.
3. On December 18, 2018, the Company held the second extraordinary general meeting in 2018 at Jing'an International Plaza, No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC. The meeting considered and approved the Resolution regarding the New Everbright Group Financial Products and Services Framework Agreement, the Continuing Connected Transactions Contemplated thereunder and the Annual Caps for the Three Years ending December 31, 2021 relating thereto, the Resolution regarding the Proposed Amendments to the Rules Governing the Management of Related Party Transactions, the Resolution regarding the Proposed Amendments to the Rules Governing the Management and Use of Funds Raised, the Resolution regarding the Proposed General Mandate to Issue Onshore Debt Financing Instruments of the Company and the Resolution regarding the Amendments to the Articles of Association.

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

## SECTION VIII CORPORATE GOVERNANCE

### III Board of Directors and the Management

#### (I) Board of Directors

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

##### 1. Composition of the Board

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

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

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

## SECTION VIII CORPORATE GOVERNANCE

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

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

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

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According to Articles of Association, the Board of Directors shall exercise the following major powers and duties: to convene a general meeting and report to such meeting; to implement the resolutions of a general meeting; to decide the operation plan and investment scheme of the Company; to prepare the draft annual budget and final accounts of the Company; to prepare the profit distribution plan and the plan for provisions for losses of the Company; to prepare the plan for the Company to increase or reduce its registered capital, issuance of bonds and other securities and other listing plans; to prepare plans of the Company with respect to material acquisitions, acquisition of the Company's shares, mergers, divisions, dissolution or changes of the form of the Company; to decide the Company's external investments, purchases and sales of assets, pledge of assets, external guarantees, trust management or to manage related parties transactions within the scope of authorization by a general meeting; to decide the establishment of the internal management organizations of the Company; to appoint or remove the president or the secretary to the Board of Directors nominated by the Chairman of the Board of Directors; to appoint or remove the vice president, assistant president, chief financial officer, chief compliance officer, chief risk officer and other officers nominated by the president and decide the remunerations and rewards and punishments thereof; to establish a basic management system of the Company; to prepare plans to amend the Articles of Association; to manage the matters related to the information disclosed by the Company; to make suggestions to a general meeting regarding the engagement or replacement of the accounting firm as the auditors of the Company; to receive the work report of the president of the Company and examine the work of the general manager; to be responsible to urge, examine and evaluate the establishment and implementation of various internal control systems of the Company and to undertake responsibility for the validity of such internal control systems; to be responsible to urge, examine and evaluate the establishment and implementation of various internal control systems of the Company and to undertake final responsibility for the validity of such internal control systems; to consider and adopt the basic compliance system of the Company and the annual and interim compliance report of the Company and receive the report from the chief compliance officer and to be responsible for the implementation of the compliance policies; to undertake ultimate responsibility for comprehensive risk management; other powers and duties conferred by the law, administrative regulations, department regulations and the Articles of Association.

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

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

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### 3. Duties and responsibilities of the management

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

### 4. Chairman and president

Roles of chairman and president of a company should be assumed by different individuals to ensure balance of authorization and avoid over concentration of power. During the Reporting Period, the chairman and executive president of the Company have been taken up by Mr. Xue Feng and Mr. Zhou Jiannan, respectively.

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

## SECTION VIII CORPORATE GOVERNANCE

### IV Performance of Duties of Directors

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

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

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

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

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

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

Note:

- (1) Mr. Gao Yunlong resigned on April 4, 2018. During the Reporting Period, Mr. Gao Yunlong was required to attend one Board meeting and authorised Mr. Ge Haijiao to vote on his behalf and he actually attended voting once.
- (2) Mr. Ge Haijiao resigned on June 21, 2018. During the Reporting Period, Mr. Ge Haijiao was required to attend two Board meetings and actually attended two Board meetings.
- (3) Mr. Yan Jun's qualification as a director was in effect from August 9, 2018. During the Reporting Period, Mr. Yan Jun was required to attend three Board meetings and actually attended three Board meetings.



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- (4) Mr. Song Bingfang's qualification as a director was in effect from August 13, 2018. During the Reporting Period, Mr. Song Bingfang was required to attend three Board meetings and actually attended three Board meetings.
- (5) Mr. Wang Yong's qualification as an independent director was in effect from November 1, 2018. During the Reporting Period, Mr. Wang Yong was required to attend one Board meeting and actually attended one Board meeting.

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

Number of board meetings convened during the year	8
Of which: number of on-site meetings	0
Number of meetings held by written resolutions	6
Number of meetings held both on-site and via teleconference	2

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

1. The 3rd meeting of the fifth session of the Board of Directors was held on March 2, 2018. The meeting considered and approved the Proposal on the Company's Bonus Provision Proportion for 2017 and the Proposal on Appointment of an Agent for the Acceptance of Procedural Documents in Hong Kong.
2. The 4th meeting of the fifth session of the Board of Directors was held on March 26, 2018. The meeting considered and approved the Proposal on the Changes of Company's Accounting Policy, the Proposal on the Company's 2017 Annual Report and its Summary, the Proposal on the Annual Work Report of the Board of Directors of the Company for 2017, the Proposal on the Company's 2017 Annual Profit Distribution Plan, the Proposal on the 2017 Annual Internal Control Evaluation Report of the Company, the Proposal on the Company's 2017 Annual Social Responsibility Report/ESG, the the Proposal on the Compliance Work Report of the Company for 2017, the Proposal on the Company's 2017 Annual Risk Assessment Report, the Proposal on the Company's Net Capital Calculation Sheets and Risk Control Index Supervision Statements for 2017, the Proposal on the Company's Risk Preference for 2018, the Proposal on the Company's Proprietary Trading Size for 2018, the Proposal on the Company's Expected Daily Related/Connected Transactions for 2018, the Proposal on the Company's General Mandate of Issuance of Foreign Debt Financing Instrument, the Proposal on the Company's Issuance of Asset-Backed Securities, the Proposal on the Mandate Granted to the Operating Managements by the Board of Directors in 2018, the Proposal on the Enagement of External Audit Institutions in 2018, the Proposal on the Total Budget for Office Renovation, the Proposal on the Adjustment for the Business Scopes of Branches and Business Division, the Proposal on the application to the Piloting Consolidated Supervision for Risk Control Indicators of SFC, the Proposal on Special Assessment Method for Compliance of Senior Management (Trial) and the Proposal on Holding Annual General Meeting for 2017.

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3. The 5th meeting of the fifth session of the Board of Directors was held on April 27, 2018. The meeting considered and approved the Proposal on First Quarterly Report of the Company for 2018, the Proposal on the Adjustment Plans for Organizational Structure of the Company and the Proposal on Donation to Targeted Poverty Alleviation.
4. The 6th meeting of the fifth session of the Board of Directors was held on June 22, 2018. The meeting considered and approved the Proposal on Nomination of Mr. Yan Jun as a Candidate for a Director of the Company and the Proposal on Holding the First Extraordinary General Meeting of the Company in 2018.
5. The 7th meeting of the fifth session of the Board of Directors was held on July 25, 2018. The meeting considered and approved the Proposal on the Annual Bonus Plan for 2017 of Senior Management.
6. The 8th meeting of the fifth session of the Board of Directors was held on August 28, 2018. The meeting considered and approved the Proposal on the Company's 2018 Interim Report and its Summary, the Proposal on the Company's Half-yearly Net Capital Calculation Sheets and Risk Control Index Supervision Statements for 2018, the Proposal on the Company's General Mandate of Issuance of Foreign Debt Financing Instrument, the Proposal on Increasing the Capital Investment in Everbright Photon Investment Management Co., Ltd. by Everbright Futures Co., Ltd., the Proposal on Setting up External Affairs Department and Asset Preservation Department, the Proposal on the Amendment to the Management and Utilization System of Proceeds of Everbright Securities Company Limited, the Proposal on the Amendment to the Detailed Working Rules for the President of Everbright Securities Company Limited, the Proposal on the Amendment to the Related Transaction Management System, the Proposal on Entering into the Framework Agreement of Related Transaction in the Course of Business with China Everbright Group Ltd., the Proposal on the Company's Available Special Funds for Poverty Alleviation for 2018, the Proposal on the Adjustment of the Special Committee of the Board Members and the Proposal on Holding the Second Extraordinary General Meeting of the Company in 2018.
7. The 9th meeting of the fifth session of the Board of Directors was held on October 29, 2018. The meeting considered and approved the Proposal on Third Quarterly Report of the Company for 2018.
8. The 10th meeting of the fifth session of the Board of Directors was held on December 3, 2018. The meeting considered and approved the Proposal on the Amendment to the Articles of Association.

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### (III) Objections raised by Independent Non-executive Directors

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

### (IV) Training of Directors

The Company attaches great importance to the ongoing training of the Directors, in order to ensure that the Directors could have an appropriate understanding of the operation of the Company and its business and that they understand their duties and responsibilities as a director as required by the CSRC, the SSE, the Hong Kong Stock Exchange and as stipulated in the Articles of Association and other relevant laws and regulatory requirements.

During the Reporting Period:

- (1) On July 13, 2018, Mr. Xu Jingchang, a Director of the Company, attended the first session of 2018 Audit Committee training and performance improvement exchange course held by China Association for Public Companies, and
- (2) The Company has organised an online training programme for all directors of public companies launched by the Hong Kong Stock Exchange, including contents on the newly revised Hong Kong Listing Rules in relation with corporate governance, which took effect on 1 January 2019.

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

To strengthen the decision-making function of the Board of Directors, and to ensure that the Board of Directors effectively monitors the management and optimizes the corporate governance structure of the Company, the Board of Directors of the Company has established the Risk Management Committee, the Audit Committee, the Remuneration, Nomination and Credentials Committee and the Strategies and Development Committee according to the Company Law, the Hong Kong Listing Rules and the relevant regulations of the supervision authorities. The members of a special committee shall consist of Directors, of which independent non-executive Directors shall represent more than half of the Audit Committee and the Remuneration, Nomination and Credentials Committee and an independent non-executive Director shall act as the chairman. At least one independent non-executive Director with more than 5 years' professional experience in accounting shall serve as a member on the Audit Committee. The establishment of any special committees under the Board of Directors shall be approved at a general meeting.

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The Board of Director adjusted the composition of the special committee of the Board at the 8th meeting of the fifth session of the Board of the Company held at 28 August 2018, and after the adjustment, independent non-executive directors who served in the Remuneration, Nomination and Credentials Committee and Audit Committee of the Board account for a half of the members. As such, the Board accordingly adjusted the composition of the special committee of the Board at the 13th meeting of the fifth session of the Board held at 27 March 2019. Currently, the composition of the special committee of the Board has conformed with the above requirements under Hong Kong Listing Rules and Corporate Governance Code.

In 2018, the special committees under the Board of Directors convened a total of ten meetings, of which the Remuneration, Nomination and Credentials Committee convened three meetings, the Strategies and Development Committee convened two meetings, the Audit Committee convened four meetings and the Risk Management Committee convened one meeting. In compliance with the relevant requirements of the Articles of Association and the rules of procedures for each committee, every special committee under the Board of Directors earnestly performed its duties, made use of the professional experience of its members, thus providing a strong support for decision-making of the Board of Directors. During the Reporting Period, the special committee under the Board didn't raise any objection toward the related matters of the Company.

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

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

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

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### ***Remuneration, Nomination and Credentials Committee***

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

1. to formulate any remuneration plan or scheme in accordance with the main scope, responsibility, importance of the management posts of a Director, the president and other officer and the remuneration level for the similar posts of other related enterprises;
2. to submit a remuneration plan or scheme to the Board of Directors including but not limited to the main plans and systems with respect to performance evaluation criteria, procedures and main evaluation system, rewards and punishments;
3. to review the performance of any Directors (other than independent non-executive Directors), the president and other officers of the Company and make annual appraisals of such performance;
4. to be responsible for monitoring the implementation of the remuneration system of the Company;
5. to make suggestions in respect of the scale and constitution of the Board of Directors according to the business activities, asset scale and equity structure of the Company;
6. to research for the candidates for positions of Directors and other officers;
7. to search for candidates for qualified Directors and other officers;
8. to screen any candidates for Directors, the president and other officers and make suggestions;
9. to screen and make suggestions with respect to any senior officers to be appointed by the Board of Directors;
10. to review and make suggestions at least once a year with respect to the structure, number and constitution of the Board of Directors (including skills, knowledge and experience); and
11. to be responsible for other matters authorized by the Board of Directors.

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

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

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

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

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

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

Project	Type	Number	As a percentage of Board members
Gender	Male	13	100%
	Female	0	0%
Age	40-50	2	15%
	51-60	9	69%
	61-70	2	15%
Title	Executive director	2	15%
	Non-executive director	6	46%
	Independent non-executive director	5	38%
Length of term served as the Board members of the Company	Within 5 years(inclusive)	13	100%
	5-10(not including 5 years, including 10 years)	0	0%
	Over 10 years(exclusive)	0	0%
Length of term served in securities and finance	Within 20 years	10	77%
	20-30(not including 20 years, including 30 years)	2	15%
	Over 30 years(exclusive)	1	8%
Expertise or strength in economy/finance/accounting	N/A	5	38%

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

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

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Date	Session	Resolutions
March 26, 2018	First meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	<p>Consider Resolution in Respect of Formulating Assessment Measures for Compliance of Senior Management of Everbright Securities Company Limited (Provisional)</p> <p>Consider Resolution in Respect of Assessment Measures for Compliance of Senior Management in 2017</p>
June 21, 2018	Second meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	Consider Resolution in Respect of Nominating Mr. Yan Jun as Candidate of Director of the Company
July 25, 2018	Third meeting of the fifth session of the Remuneration, Nomination and Credentials Committee	Consider Resolution in Respect of Proposal of Performance Bonus of Senior Management in 2017

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



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Name	Position	Number of actual attendances/ Number of meetings required attendance
Xiong Yan (chairman)	Independent non-executive Director	3/3
Yan Jun	Executive Director	0/0
Chan Ming Kin	Non-executive director	3/3
Xu Jingchang	Independent non-executive Director	3/3
Au Sing Kun	Independent non-executive Director	3/3

Notes:

- (1) Mr. Ge Haijiao resigned on June 21, 2018 and ceased to be a member of the Remuneration, Nomination and Credentials Committee. During the Reporting Period, Mr. Ge Haijiao should attend 1 meeting of the remuneration, nomination and credentials committee, and has actually attended 1 meeting.
- (2) Mr. Yan Jun was appointed as a member of Remuneration, Nomination and Credentials Committee on the Board meeting held on August 28, 2018. Remuneration, Nomination and Credentials Committee did not hold any meetings from August 28, 2018 to December 31, 2018.
- (3) Mr. Xue Feng ceased to be a member of the remuneration, nomination and credentials committee on 27 March 2019. During the Reporting Period, Mr. Xue Feng was required to attend 3 meetings of the remuneration, nomination and credentials committee, and has actually attended 3 meetings.

### *Strategies and Development Committee*

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

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

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

Date	Session	Resolutions
January 5, 2018	First meeting of the fifth session of the Strategies and Development Committee	Proposal in Respect of Activities Arrangement of "Making Recommendations, Chasing Standards among Peers and Strategic Optimization"
May 3, 2018	Second meeting of the fifth session of the Strategies and Development Committee	Proposal in Respect of Implementing Financial Technology Strategy

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

Name	Position	Number of actual attendances/Number of meetings required attendance
Yan Jun (chairman)	Executive Director	0/0
Yin Lianchen	Non-executive Director	2/2
Xue Keqing	Non-executive Director	2/2
Meng Xiangkai	Non-executive Director	0/0
Wang Yong	Independent non-executive Director	0/0

Notes:

- (1) Mr. Ge Haijiao resigned on June 21, 2018 and ceased to be a member of the Strategies and Development Committee. During the Reporting Period, Mr. Ge Haijiao should attend 2 meetings of the strategy and development Committee, and has actually attended 2 meetings.
- (2) Mr. Yan Jun was appointed as a member of Strategy and Development Committee on the Board meeting held on August 28, 2018. Remuneration, Strategy and Development Committee did not hold any meetings from August 28, 2018 to December 31, 2018.

## SECTION VIII CORPORATE GOVERNANCE

- (3) Mr. Meng Xiangkai was appointed as a member of Strategy and Development Committee on the Board meeting held on August 28, 2018. The appointment took effect from the date when Mr. Meng Xiangkai obtained the qualification of being a director of the securities company. Since the appointment of Mr. Meng Xiangkai as a director has been effective since March 15, 2019, Mr. Meng Xiangkai has also been a member of the Strategy and Development Committee since March 15, 2019.
- (4) Mr. Wang Yong was appointed as a member of Strategy and Development Committee on the Board meeting held on August 28, 2018. The appointment took effect from the date when Mr. Wang Yong obtained the qualification of being a director of the securities company. Since the appointment of Mr. Wang Yong as a director has been effective since November 1, 2018, Mr. Wang Yong has also been a member of the Strategy and Development Committee since November 1, 2011. The Strategy and Development Committee did not hold any meetings from November 1, 2018 to December 31, 2018.

### ***Audit Committee***

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

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

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

## SECTION VIII CORPORATE GOVERNANCE

Date	Session	Resolutions
January 18, 2018	Second meeting of the fifth session of the Audit Committee	<p>Consider Unaudited Financial Statement of the Company in 2017</p> <p>Listen to Report of Amendments in Accounting Standards of Ministry of Finance in 2017</p>
March 13, 2018	Third meeting of the fifth session of the Audit Committee	<p>On-site communication with accountant for annual review in respect of audit work in 2017</p> <p>Consider Report of Performance of the Audit Committee of the Board in 2017</p> <p>Consider Resolution in Respect of Internal Control Evaluation Report of the Company in 2017</p> <p>Consider Audit Work Report of the Company in 2017</p> <p>Consider Report of Operating Plan and Financial Budget of the Company in 2018</p> <p>Consider Resolution of Expected Daily Related/Connected Transactions of the Company in 2018</p> <p>Consider Resolution of Engagement of External Audit Organization in 2017</p>
March 23, 2018	Fourth meeting of the fifth session of the Audit Committee	<p>Consider Report in respect of Performance of Audit Committee of the Board in 2017</p> <p>Consider Resolution in Respect of Changes in Accounting Policies of the Company</p> <p>Consider Resolution in Respect of Financial Report of the Company in 2017</p> <p>Consider Resolution in Respect of Net Capital Calculation Table and Risk Control Indicator Regulatory Statement of the Company in 2017</p> <p>Consider Resolution in Respect of Evaluation Report of Internal Control of the Company in 2017</p> <p>Consider Resolution in Respect of Audit Report of Internal Control of the Company in 2017</p> <p>Consider Resolution of Expected Daily Related/Connected Transactions of the Company in 2018</p> <p>Consider Resolution of Engagement of External Audit Organization in 2018</p>

## SECTION VIII CORPORATE GOVERNANCE

Date	Session	Resolutions
August 28, 2018	Fifth meeting of the fifth session of the Audit Committee	Consider Resolution in Respect of Interim Report and Abstract of the Company in 2018 Consider Resolution in Respect of Amendment on Related Transaction Management System of Everbright Securities Company Limited Consider Resolution in Respect of Entering into Daily Related Transaction Framework Agreement with China Everbright Group Ltd. Listen to Resolution in Respect of Audit Work Report of the Company in the First Half of 2018

## SECTION VIII CORPORATE GOVERNANCE

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

Name	Position	Number of actual attendances/Number of meetings requiring attendance
Xu Jingchang (chairman)	Independent non-executive Director	4/4
Song Bingfang	Non-executive Director	0/0
Chan Ming Kin	Non-executive Director	4/4
Xiong Yan	Independent non-executive Director	4/4
Li Zheping	Independent non-executive Director	4/4

Notes:

- (1) Mr. Ju Hao was no longer a member of the audit committee on March 27, 2019. During the Reporting Period, Mr. Ju Hao was required to attend 4 meetings of the audit committee, and has actually attended 4 meetings.
- (2) Mr. Song Bingfang was appointed as a member of Audit Committee on the Board meeting held on August 28, 2018. The Audit Committee did not hold any meetings from August 28, 2018 (excluding this day) to December 31, 2018.

## SECTION VIII CORPORATE GOVERNANCE

Overview of the audit work of the Company:

Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young (“EY”) carried out the 2018 audit on the Company by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, EY conducted the audit on internal control as required, carried out internal control test at the entity level to the Company’s level and business process level (including the business processes of the headquarters and securities brokerage branches), and evaluated the effectiveness of the internal control design and whether it has been effectively implemented during the audit. Through interviews, EY understood the Company’s control environment, the main operation conditions, business innovation, system updates and fraud risk. EY conducted a preliminary audit on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. EY also made a testing and evaluation on the main information system used by the Company and discussed timely the finding of preliminary audit with the Company’s management. At the end of year-end audit, EY followed up the finding on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated the finding of year-end audit with the Company’s management.

In order to successfully complete the audit in 2018 and issue relevant reports, the Audit Committee of the Board of Directors authorized the planning and finance department of the Company to discuss with EY about the planning of audit work, audit progress, valuation of financial instruments, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the auditing period, the Audit Committee made multiple rounds of supervision. On March 27, 2019, EY issued the standard unqualified audit reports to the Company within the scheduled time.

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

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

## SECTION VIII CORPORATE GOVERNANCE

### ***Risk Management Committee***

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

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

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

Date	Session	Resolutions
March 26, 2018	First meeting of the fifth session of the Risk Management Committee	<p>Consider Resolution in Respect of Risk Evaluation Report of the Company in 2017</p> <p>Listen to Risk Work Report of the Company in 2017</p> <p>Consider Resolution in Respect of Compliance Work Report of the Company in 2017</p> <p>Consider Resolution in Respect of Risk Preference of the Company in 2018</p>



## SECTION VIII CORPORATE GOVERNANCE

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

Name	Position	Number of actual attendances/Number of meetings required attendance
Li Zheping (chairman)	Independent non-executive Director	1/1
Ju Hao	Non-executive Director	1/1
Song Bingfang	Non-executive Director	0/0
Yin Lianchen	Non-executive Director	1/1
Au Sing Kun	Independent non-executive Director	1/1
Wang Yong	Independent non-executive Director	0/0

Notes:

- (1) Mr. Song Bingfang was appointed as a member of the Risk Management Committee on the Board meeting held on August 28, 2018. The Risk Management Committee did not hold any meetings from August 28, 2018 to December 31, 2018.
- (2) Mr. Wang Yong was appointed as a member of Risk Management Committee on the Board meeting held on August 28, 2018. The appointment took effect from the date when Mr. Wang Yong obtained the qualification of being a director of the securities company. Since the appointment of Mr. Wang Yong as a director has been effective since November 1, 2018, Mr. Wang Yong has also been a member of the Risk Management Committee since November 1, 2011. The Risk Management Committee did not hold any meetings from November 1, 2018 to December 31, 2018.

## SECTION VIII CORPORATE GOVERNANCE

### V Supervisory Committee

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

For the year of 2018, in strict compliance with the relevant requirements of the Company Law, the Securities Law, the Articles of Association and the Rules of Procedures for the Supervisory Committee, the Supervisory Committee of the Company performed its duties earnestly and diligently.

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

During the Reporting Period, the Supervisory Committee held a total of five meetings, including two on-site meetings and three meeting via written resolutions, and supervised the Company's legal compliance, financial status, and the duty performance by the Board of Directors and the Company's management.

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

1. The Second meeting of the fifth session of the Supervisory Committee was held on March 26, 2018. The meeting considered and approved the Resolution in Respect of Changes in Accounting Policies of the Company, Resolution in Respect of Annual Report and Abstract of the Company in 2017, Resolution in Respect of Work Report of Supervisory Committee of the Company in 2017, Resolution in Respect of Evaluation Report of Internal Control of the Company in 2017, Resolution in Respect of Compliance Work Report of the Company in 2017, Resolution in Respect of Net Capital Calculation Table and Risk Control Indicator Regulatory Statement of the Company in 2017, Resolution in Respect of Social Responsibility Report/ ESG Report of the Company in 2017 and Resolution in Respect of Work Plan of Supervisory Committee of the Company in 2018.

## SECTION VIII CORPORATE GOVERNANCE

2. The third meeting of the fifth session of the Supervisory Committee was held on April 26, 2018. The meeting considered and approved Resolution in Respect of the First Quarterly Report of the Company in 2018.
3. The fourth meeting of the fifth session of the Supervisory Committee was held on June 22, 2018. The meeting considered and approved Resolution in Respect of Nominating Mr. Sun Wenqiu as Candidate of Supervisors of the Company.
4. The fifth meeting of the fifth session of the Supervisory Committee was held on August 28, 2018. The meeting considered and approved Resolution in Respect of Interim Report and Abstract of the Company in 2018 and Resolution in Respect of Net Capital Calculation Table and Risk Control Indicator Regulatory Statement of the Company during an interim period of 2018.
5. The sixth meeting of the fifth session of the Supervisory Committee was held on October 29, 2018. The meeting considered and approved Resolution in Respect of Third Quarterly Report of the Company in 2018.

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

Name	Number of meetings of Supervisory Committee requiring attendance	Attendance in person	Attendance by the way of written resolutions	Attendance by proxy	Absence
Liu Jiping	5	2	3	0	0
Zhang Jingcai	5	1	3	1	0
Wang Hongyang	5	2	3	0	0
Zhu Wuxiang	5	1	4	0	0
Sun Wenqiu	1	0	1	0	0
Wang Wenyi	5	2	3	0	0
Huang Qin	5	2	3	0	0
Li Xianzhi	5	2	3	0	0

## SECTION VIII CORPORATE GOVERNANCE

Note:

- (1) Mr. Zhang Limin resigned on June 22, 2018. During the Reporting Period, the number of the meetings of the Supervisory Committee that Mr. Zhang Limin should attend is 2 and Mr. Zhang Limin attended 2 of them.
- (2) As a Supervisor of the fifth session of the Supervisory Committee, Mr. Sun Wenqiu's appointment became effective from September 30, 2018 according to the Reply in Relation to the Approval of the Qualification of Sun Wenqiu as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 79).

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

### (II) Trainings of Supervisors

The Company attaches great importance to the continuous trainings of Supervisors to ensure they have proper understanding of the Company's operation, business and the latest regulatory requirements. During the Reporting Period, Ms. Huang Qin and Ms. Wang Wenyi, Supervisors of the Company, attended the first training class for directors and supervisors of listed companies in Shanghai on June 3, 2018.

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

The Remuneration, Nomination and Credentials Committee under the Company's Board of Directors carried out evaluation of the Company's senior management according to the Board of Directors' authorization, based on which it made proposals on the remuneration and reward and punishment matters on senior management. The remuneration of the Company's senior management is determined by the Board of Directors. The Company has not yet developed any equity incentive system.

## SECTION VIII CORPORATE GOVERNANCE

### VII Internal Control

#### (I) Internal control construction

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

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

## SECTION VIII CORPORATE GOVERNANCE

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

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

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

## SECTION VIII CORPORATE GOVERNANCE

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

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

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

In 2019, the Company will continue to improve the internal control system, standardize the implementation of internal control system and strengthen the supervision and inspection of internal control according to the changes in the external business environment and the actual needs of the Company's development, and in accordance with the provisions and requirements of the Basic Standards for Enterprise Internal Control and the Code of Corporate Governance so as to promote the sound and sustainable development of the Company.

## SECTION VIII CORPORATE GOVERNANCE

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

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

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

### (IV) Report on self-evaluation of internal control

The Board of Directors reviewed the effectiveness of the Company's internal control design and operation as of December 31, 2018, in accordance with laws and regulations such as the Basic Standards for Enterprise Internal Control. For details, please refer to the 2018 Annual Internal Control Evaluation Report of Everbright Securities disclosed by the Company on the SSE's website ([www.sse.com.cn](http://www.sse.com.cn)).

According to the internal control evaluation and defect identification of the Company in 2018, the Company has maintained effective internal control of financial reports in all major aspects in accordance with the requirements of the enterprise internal control standard system and relevant regulations on the base date of internal control evaluation report. However, as at the date of the report, the Company identified one material defect in the internal control over non-financial reports and three general defects in 2018.



## SECTION VIII CORPORATE GOVERNANCE

During the Reporting Period, the Company identified one material defect in the internal control over non-financial reports. As of the date of the report, the rectification has been completed.

Material defects in the internal control over non-financial report	Description of defects	Business areas	Rectification of Defect/The rectification plan
Risks arose in private equity investment projects of the wholly-owned subsidiaries, reflecting that the subsidiary management and control mechanism shall be improved, and the Company's management and control over the subsidiaries is inadequate, resulting in the defects of internal control.	<p>Jinxin Fund, established by Everbright JinHui, a subsidiary of Everbright Capital, completed the acquisition of 65% equity interest in MPS Company on May, 2016 and was expired on February 25, 2019. Due to the risk of the investment project, it failed to exit as originally planned.</p> <p>Based on the principle of prudence, the Company made a provision for the estimated liabilities of RMB1.4 billion and made a provision for assets impairment of RMB120.8626 million in 2018.</p>	Private equity investment	The Company has established and continued to improve the internal control organizational structure, clarified the internal control functional departments, improved the compliance management mechanism, established a comprehensive risk management system, and clarified the "Three Important and One Large" decision-making mechanism. Under the supervision and guidance of the parent company, its subsidiary, Everbright Capital, has strengthened its internal control and rectification. At present, a special working group has been set up at the company level to sort out, revise and improve various control systems in subsidiaries, improve internal control working mechanism and strengthen the control over subsidiaries. At the same time, the Company is taking active and effective measures to properly defuse relevant risks in order to recover the losses of the Company and actively safeguard the legitimate rights and interests of the Company and all shareholders regarding the obligation to make up the shortfall which may be involved in the investment projects of the subsidiaries.

## SECTION VIII CORPORATE GOVERNANCE

## Material defects in the internal control over non-financial report

Description of defects	Business areas	Rectification of Defect/The rectification plan
On March 18, 2019, regulatory letters of the Advance Notice on Administrative Supervision Measures of Ordering Everbright Securities Co., Ltd. to Increase the Number of Internal Compliance Inspections and Submit Compliance Inspection Reports (Hu Zheng Jian Ji Gou Zi [2019] No. 76) (《關於對光大證券股份有限公司採取責令增加內部合規檢查次數並提交合規檢查報告行政監管措施的事先告知書》) (滬證監機構字[2019]76號)), the Decision on Implementation of Measures of Regulatory Talk with Xue Feng (Hu Zheng Jian Decision [2019] No. 24) and the Decision on the Adoption of Regulatory Measures to Correct the Order against Everbright Capital Investment Co., Ltd (Hu Zheng Jian Decision [2019] No. 25) (《關於對光大資本投資有限公司採取責令改正監管措施的決定》) (滬證監決[2019]25號) was issued by Shanghai Bureau of the CSRC, which pointed out that the Company's management and control mechanism over the subsidiaries shall be improved; the Company's management and control over the subsidiaries is inadequate; internal decision-making progress for material events has not been strictly implemented; and failure to report to China Securities Regulatory Commission (CSRC) and Shanghai Bureau of the CSRC in time when a risk event occurs.		<ol style="list-style-type: none"> <li>1. The Company has further improved the "Three Important and One Large" decision-making mechanism of the Company. Eight subsidiaries have established the "Three Important and One Large" decision-making mechanism of its own, sorted out and refined the list of items on "Three Important and One Large", and clarified the hierarchical approval authority of decision-making institutions.</li> <li>2. The Company has established compliance control for subsidiaries at all levels and improved the compliance management mechanism. Under the unified compliance management of the Company, each of the subsidiaries has preliminarily established a relatively complete compliance management system in terms of organizational structure, system construction and personnel allocation, to supervise the compliance of legal compliance management and operation and management of itself and its subsidiaries.</li> <li>3. The Company's risk management over the subsidiaries follows the principle of "risk classification, the management layering". The parent company, together with functional department, conducts vertical management over subsidiaries according to the different types of risk, and enhance the management and control over the risks involved by the subsidiaries through certain risk management measures, such as facilitating the appointment of chief risk officer, setting up the risk management team, establishing and improving the subsidiaries' risk appetite and pressure test covering subsidiaries.</li> </ol>

## SECTION VIII CORPORATE GOVERNANCE

Material defects in the internal control over non-financial report	Description of defects		Business areas	Rectification of Defect/The rectification plan
	4. The Company adheres to the risk-oriented principle, increases the frequency of internal audit of high-risk subsidiaries, and leaves no supervision blind spot, as well as enhancing the awareness of cadres and employees to observe discipline through strengthening the training on laws and regulations and forming a deterrent to discipline violations through strengthening the supervision and enforcement of discipline accountability.			
	5. The subsidiary of Everbright Capital has established a risk management system at four levels including the Board of Directors and supervisors, the general manager's office and each Professional Committee, each functional department of risk management and each business department, and incorporated them into the Company's overall risk management system to improve the organizational structure of compliance management and effectively identify, evaluate and manage compliance risks; 25 internal control systems, including the Administrative Measures for Decision-making on "Three Important and One Large" matters of Everbright Capital Investment Co., Ltd. and the Administrative Measures for Risk Management of Everbright Capital Investment Co., Ltd., have been revised to ensure the standardized and orderly operation of related businesses.			

## SECTION VIII CORPORATE GOVERNANCE

On the base date of internal control evaluation report, the Company identified three general defects of internal control over non-financial reports, and the Company has organized and promoted corresponding rectification for the defects identified. As at the date of the report, all rectification has been completed.

In 2019, the Company will continue to improve the internal control system construction. Based on the stable operation of the existing internal control mechanism, and follow the principle of “advance amid stability”, we will combine the institutional constraints with cultural cultivation, completeness with practicality and front-line management with inspection and supervision, and further strengthen the internal control system, strengthen the internal control function, develop the capabilities of internal control risk prevention and value creation, to escort the stable development of the Company. And the Company's internal control management mechanism will be optimized and improved from the following aspects:

**(1) Improve the internal control system management and strengthen the construction of “three lines of defense”**

In 2019, the Company will further explore the formation of a detailed plan for the implementation of internal control, and steadily promote the construction of internal control. At the same time, will continue to strengthen the internal control of “three lines of defense”, strictly implement the principle person-in-charge of internal control, deepen the linear management and investigation, defuse the key business, key areas of the relevant risks, and timely find problems to promote rectification.

**(2) Accelerate disposal of risk projects and optimize management mechanism of subsidiaries**

In 2019, the Company will continue to accelerate the disposal of risk projects according to unified deployment, maintain the stable and healthy development of related businesses, and continuously improve the effectiveness of internal control system.

**(3) Strengthen the promotion of the concept of internal control and strengthen the awareness of internal control**

In 2019, the Company will continue to strengthen internal control through certain channels, such as combining online and offline channels, sharing system, mechanism, process and case, to provide professional training and communication of internal control management, help cultivate front-line business and internal control team, and further enhance the Company's internal control awareness.

## SECTION VIII CORPORATE GOVERNANCE

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

The Board of Directors has engaged Ernst & Young Hua Ming LLP (Special General Partnership) to conduct auditing on the internal control design and operation of the Company as of December 31, 2018, in accordance with laws and regulations such as the Basic Standards for Enterprise Internal Control. The auditor has also issued an auditors' report on the internal control system of the Company. For details, please refer to the 2018 Annual Internal Control Audit Report of Everbright Securities Company Limited disclosed by the Company on the SSE's website ([www.sse.com.cn](http://www.sse.com.cn)).

### (VI) The defects of internal control and their identification

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

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

### (VII) Management of inside information

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

## SECTION VIII CORPORATE GOVERNANCE

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

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

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

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

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

In accordance with the requirements of the Measures on the Administration of Risk Control Indicators of Securities Companies, the Provisions on the Comprehensive Risk Management of Securities Companies, and other regulatory and self-disciplinary requirements, and taking into account the Company's actual situation, the Company has established the comprehensive risk management system that matches the Company's own development strategy.

## SECTION VIII CORPORATE GOVERNANCE

Firstly, we established risk management culture of steady operation, insisted on concepts that everyone is liable for risk management, prudent balance of risk and gains and effective risk management can realize appreciation in value. Secondly, we have established and refined the Company's risk management system, which consists of four levels, including the Board of Directors, the Supervisory Committee and its Risk Management Committee, the management and its subordinate professional committees, the risk management functional departments and the business departments. The Company has appointed the chief risk officer to take full responsibility for risk management and set up a professional risk management responsible for risk identification, evaluation, monitoring and reporting. Risk management functional departments perform risk management within the authorization scope of the Company. Business units assume risks in their respective fields and manage direct responsibilities. Thirdly, the Company has developed a set of comprehensive and implementable risk management system and adopt measures including audit, inspection and performance review to ensure the implementation of risk management system. Fourthly, the Company established a management mechanism with risk preference and limit management, built risk management IT system, and realised risk monitoring and limit management in various businesses. Fifthly, the Company determined the paths of multi-level risk reporting, and set up a three lines of risk management composed of business departments, risk management functional departments and internal audit department.

Since the implementation of the new norms of the Administrative Measures for Risk Control Indicators of Securities Companies, the Company has promoted the optimization and improvement of its risk management mechanism in various aspects, such as establishing a classified risk management structure, specifying risk management concepts, amending risk management systems, improving risk management preference and limits, establishing risk management information technology systems and enriching the risk management team. In 2018, facing the pressure of market downturn and risk clustering, the Company followed the general work principle of "steady progress and transformation", and proactively played the professional role of various risk management functions. With a sound system centering on risk control, the Company focused on key areas and implementation of new requirements, enhanced risk prevention and control measures, continuously optimized the risk management system and continued to enhance the effectiveness of risk management.

The Company strictly implemented the relevant requirements of the regulatory authorities and fully established supplementary mechanisms for dynamic monitoring of risk control indicators: (1) the Company has formulated risk management indicator and pressure test management system, specified risk management indicator, dynamic monitoring, pressure test, emergency treatment and supplementary mechanism; (2) the Company has established the Risk controlling indicator monitoring system, and continue to update and upgrade system according to regulatory guidance of regulatory authorities; (3) the Company regularly or irregularly carries out risk control index stress test according to needs, and reasonably evaluates the Company's index bearing capacity; (4) the Company has established a risk control index supplement mechanism and supplemented capital by raising capital and adjusting business scale in a timely manner. In 2018, the Company's core risk control indicators performed well and met regulatory standards.

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### (II) Compliance work

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

In 2018, the Company carried out a total of 13 key inspections regarding key businesses including investment banking business, bond business, proprietary business, over-the-counter option business and subsidiaries in accordance with key points of regulatory and industry compliance risks. As for branches, the Company continuously increased the inspection frequency and coverage by conducting 21 on-site inspections on operating department covering 14 branch companies. Besides, the Company actively cooperates with CSRC, Securities Regulatory Bureau and PBOC for inspection and verification for 9 times.



## SECTION VIII CORPORATE GOVERNANCE

### (III) Internal audit work

During the Reporting Period, the Company's internal audit work closely followed the "risk-oriented" principle, further strengthened internal audit efforts in business units, subsidiaries and branches, strictly followed internal supervision duties, and conducted special audit in IT according to regulatory requirements and evaluation works including evaluation of internal control and effectiveness of internal control in investment banking. The Company finished a total of 139 internal audit and audit projects during the whole year.

Internal audit departments of the Company procured units receiving internal audit to further increase awareness in risk prevention, improve internal management and improve internal control construction through supervision and evaluation on internal management, economic benefits, internal control and presenting major risks and problems existed, and procuring units receiving internal audit to rectify.

## IX Investor Relations

### (I) Overview of investor relations

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

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

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Shareholders who wish to know more about the matters related to the Company's investor relations can contact the Company's investor relations team:

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

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

During the Reporting Period, amendments made to the Articles of Association are set forth as follows:

1. At the Company's second extraordinary general meeting for 2018 convened on December 18, 2018, the Shareholders considered and approved the following amendments to the Articles of Association:
  - (1) As approved at the sixth meeting of the Standing Committee of the Thirteenth National People's Congress on October 26, 2018, the system of acquisition of its own shares by a listed company implemented until now under the existing Company Law of the People's Republic of China (the "Company Law") (Article 142, namely the share repurchase mechanism) was amended. Such amendments added statutory basis of and optimized the legal procedures for share repurchase, as well as established the treasury stock system. Under the revised Company Law, the Opinion on Supporting Share Repurchase of Listed Companies (《關於支持上市公司回購股份的意見》) was jointly issued by the China Securities Regulatory Commission (the "CSRC"), the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, requiring listed companies to "make haste to study and optimize the corporate governance mechanism in respect of share repurchase, make timely improvements to the articles of association, strengthen internal governance arrangement, and duly perform all information disclosure obligations and relevant decision-making procedures". In compliance with the above requirements and in consideration of the actual operation and development situations, the Company amended the relevant articles of the Articles of Association.

For details of the above amendments, please refer to the supplemental notice of the second extraordinary general meeting of the Company for 2018 dated December 4, 2018.

## SECTION VIII CORPORATE GOVERNANCE

### X Other Matters on Corporate Governance

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

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

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

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

#### (II) Appointment of external auditors and their remuneration

##### 1. External auditors appointed at present

According to the Articles of Association, appointment of external auditors of the Company shall be decided by the general meeting, and the auditors shall serve a term of one year and may be re-engaged. In view of the fact that Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young are able to complete the work entrusted by the Company, adhere to the principles of independence, objectivity and impartiality, comply with the relevant accounting standards and professional ethics of accountants and perform audit duties diligently, the fourth 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) continue to engage Ernst & Young Hua Ming LLP (Special General Partnership) as the PRC external auditors of the Company for the year 2018 to provide relevant domestic audit services in accordance with the PRC GAAP; (2) continue to engage Ernst & Young as the overseas external auditors of the Company for the year 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 market principles and to enter into the relevant agreements.

## SECTION VIII CORPORATE GOVERNANCE

In the year of 2018, the Company paid the remuneration to Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young in respect of auditing the annual financial statements with a total of RMB6.81 million.

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

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

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

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

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

### (IV) Company secretary

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

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

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

### I Overview of Corporate Bonds

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds (RMB Yuan)	Interest rate (%)	Principal and interest payment method	Places of transaction
1606 EBS Non – public Offering Corporate Bonds (Third Tranche) (Type 2)	16 EVERBRIGHT SECURITIES 06	145072	October 24, 2016	October 24, 2019	3,000,000,000	3.20	Payment of interest on a yearly basis	SSE
1704 EBS Non – public Offering Corporate Bonds (Second Tranche) (Type 2)	17 EVERBRIGHT SECURITIES 04	145337	February 14, 2017	February 14, 2020	2,000,000,000	4.45	Payment of interest on a yearly basis	SSE
1705 EBS Non – public Offering Corporate Bonds (Third Tranche) (Type 1)	17 EVERBRIGHT SECURITIES 05	145506	April 26, 2017	April 26, 2019	3,000,000,000	4.95	Payment of interest on a yearly basis	SSE
1706 EBS Non – public Offering Corporate Bonds (Third Tranche) (Type 2)	17 EVERBRIGHT SECURITIES 06	145507	April 26, 2017	April 26, 2020	4,000,000,000	5.00	Payment of interest on a yearly basis	SSE
17G1 EBS Public Offering Corporate Bonds (First Tranche) (Type 1)	17 EVERBRIGHT SECURITIES G1	143154	July 4, 2017	July 4, 2020	3,000,000,000	4.58	Payment of interest on a yearly basis	SSE
17G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2)	17 EVERBRIGHT SECURITIES G2	143155	July 4, 2017	July 4, 2022	1,500,000,000	4.70	Payment of interest on a yearly basis	SSE
17G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1)	17 EVERBRIGHT SECURITIES G3	143325	October 13, 2017	October 16, 2020	4,100,000,000	4.80	Payment of interest on a yearly basis	SSE
17G4 EBS Public Offering Corporate Bonds (Second Tranche) (Type 2)	17 EVERBRIGHT SECURITIES G4	143326	October 13, 2017	October 16, 2022	1,600,000,000	4.90	Payment of interest on a yearly basis	SSE
1802 EBS Non – public Offering Corporate Bonds (First Tranche) (Type 2)	18 EVERBRIGHT SECURITIES 02	150094	January 18, 2018	January 18, 2020	2,000,000,000	5.55	Payment of interest on a yearly basis	SSE
18G1 EBS Public Offering Corporate Bonds (First Tranche) (Type 1)	18 EVERBRIGHT SECURITIES G1	143575	April 18, 2018	April 18, 2020	2,700,000,000	4.68	Payment of interest on a yearly basis	SSE

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds (RMB Yuan)	Interest rate (%)	Principal and interest payment method	Places of transaction
18G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2)	18 EVERBRIGHT SECURITIES G2	143576	April 18, 2018	April 18, 2021	3,300,000,000	4.78	Payment of interest on a yearly basis	SSE
1803 EBS Non – public Offering Corporate Bonds (Second Tranche) (Type 1)	18 EVERBRIGHT SECURITIES 03	150382	May 7, 2018	May 7, 2019	6,000,000,000	4.79	Repayable on maturity with a one-off payment of the principle and interest	SSE
1805 EBS Non – public Offering Corporate Bonds (Third Tranche) (Type 1)	18 EVERBRIGHT SECURITIES 05	150584	July 30, 2018	July 30, 2020	1,000,000,000	4.55	Payment of interest on a yearly basis	SSE
1806 EBS Non – public Offering Corporate Bonds (Third Tranche) (Type 2)	18 EVERBRIGHT SECURITIES 06	150585	July 30, 2018	July 30, 2021	4,000,000,000	4.67	Payment of interest on a yearly basis	SSE
18G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1)	18 EVERBRIGHT SECURITIES G3	143652	September 26, 2018	September 26, 2021	2,800,000,000	4.30	Payment of interest on a yearly basis	SSE
18C1 EBS Non – public Offering Corporate Bonds (First Tranche)	18 EVERBRIGHT SECURITIES C1	150942	December 13, 2018	December 13, 2021	3,000,000,000	4.30	Payment of interest on a yearly basis	SSE
1901 EBS Non – public Offering Corporate Bonds (First Tranche)	19 EVERBRIGHT SECURITIES 01	151115	January 22, 2019	January 22, 2022	3,000,000,000	3.88	Payment of interest on a yearly basis	SSE

In 2018, the interest on the bonds issued by the Company with different maturities was paid on time.

The principal and interest on “15 EVERBRIGHT 01” were paid on January 29, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company’s announcement No. LIN 2018-005 published on the SSE for details; 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. LIN 2018-017 published on the SSE for details; the principal and interest on “17 EVERBRIGHT SECURITIES 02” were paid on July

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

11, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2018-032 published on the SSE for details. The principal and interest on "17 EVERBRIGHT SECURITIES D1" were paid on September 20, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2018-045 published on the SSE for details; the principal and interest on "16 EVERBRIGHT SECURITIES 05" were paid on October 24, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2018-051 published on the SSE for details; the principal and interest on "17 EVERBRIGHT SECURITIES D2" were paid on November 16, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2018-056 published on the SSE for details; the principal and interest on "17 EVERBRIGHT SECURITIES 07" were paid on December 6, 2018 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2018-061 published on the SSE for details; the principal and interest on "18 EVERBRIGHT SECURITIES 01" were paid on January 18, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2019-002 published on the SSE for details; the principal and interest on "17 EVERBRIGHT SECURITIES 03" were paid on February 14, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. LIN 2019-009 published on the SSE for details.

An overseas subsidiary of the Company issued overseas bonds of US\$450 million in August 2015 and paid the principal and interest on August 27, 2018. Please refer to the announcements No. 2015-062 and No. LIN 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", "18 EVERBRIGHT SECURITIES G2", "18 EVERBRIGHT SECURITIES G3" are targeted at accredited investors for public offering. The remaining bonds for each tranche are targeted at qualified investors for non-public offering.

In addition, the Company issued the first tranche of 2018 commercial papers "18 EVERBRIGHT SECURITIES CP001" of Everbright Securities Co., Ltd on August 15, 2018, and paid the principal and interest on November 14, 2018; the Company issued the second tranche of 2018 commercial papers (Bond Connect) "18 EVERBRIGHT SECURITIES CP002BC" of Everbright Securities Co., Ltd, on November 14, 2018 and paid the principal and interest on February 14, 2019; the Company issued the first tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP001BC" of Everbright Securities Co., Ltd, on February 19, 2019, the aforementioned commercial papers of securities company are targeted to the qualified institutional investors for public offering in the inter-bank market.

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

### II Contact Persons and Contact Methods of Corporate 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, China

<b>Bond name</b>	<b>Name</b>	<b>Office address</b>	<b>Bond trustee manager</b>	
			<b>Contact person</b>	<b>Contact number</b>
16 EVERBRIGHT SECURITIES 06	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai, China	Yang Lingshan	021-20370733
17 EVERBRIGHT SECURITIES 04	China Galaxy Securities Co., Ltd.	2-6/F, 35 Finance Street, Xicheng District, Beijing, China	Chen Qu	010-83574504
17 EVERBRIGHT SECURITIES 05	China Galaxy Securities Co., Ltd.	2-6/F, 35 Finance Street, Xicheng District, Beijing, China	Chen Qu	010-83574504
17 EVERBRIGHT SECURITIES 06	China Galaxy Securities Co., Ltd.	2-6/F, 35 Finance Street, Xicheng District, Beijing, China	Chen Qu	010-83574504
17 EVERBRIGHT SECURITIES G1	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
17 EVERBRIGHT SECURITIES G2	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
17 EVERBRIGHT SECURITIES G3	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
17 EVERBRIGHT SECURITIES G4	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
18 EVERBRIGHT SECURITIES G1	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
18 EVERBRIGHT SECURITIES G2	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
18 EVERBRIGHT SECURITIES G3	Guotai Junan Securities Co., Ltd.	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Zhiqiang	021-38032079
18 EVERBRIGHT SECURITIES 02	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai, China	Yang Lingshan	021-20370733
18 EVERBRIGHT SECURITIES 03	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai, China	Yang Lingshan	021-20370733
18 EVERBRIGHT SECURITIES 05	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai, China	Yang Lingshan	021-20370733
18 EVERBRIGHT SECURITIES 06	Industrial Securities Co., Ltd.	No. 36 Changliu Road, Pudong New Area, Shanghai, China	Yang Lingshan	021-20370733
18 EVERBRIGHT SECURITIES C1	China Galaxy Securities Co., Ltd.	2-6/F, 35 Finance Street, Xicheng District, Beijing, China	Chen Qu	010-83574504
19 EVERBRIGHT SECURITIES 01	China Galaxy Securities Co., Ltd.	2-6/F, 35 Finance Street, Xicheng District, Beijing, China	Chen Qu	010-83574504



## SECTION IX 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 06” and “17 EVERBRIGHT SECURITIES 04”, after deducting issuance expenses and other related expenses, were all used in the replenishment of working capital of the Company.

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

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

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

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

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

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

### (3) Operation of special accounts

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

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

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

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>).

On April 9, 2018, China Chengxin Securities Rating Co., Ltd. conducted ratings of the credit status of the corporate bonds publicly offered by the Company: “18 EVERBRIGHT SECURITIES G1” and “18 EVERBRIGHT SECURITIES G2”, and issued a Credit Rating Report on the Corporate Bonds (First Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2018, in which the Company was given AAA corporate credit rating; the outlook for the rating was stable; and it was given AAA debt credit rating. The full text of the Credit Rating Report on the Corporate Bonds (First Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2018 is available on the website of the SSE (<http://www.sse.com.cn>).

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

On September 17, 2018, China Chengxin Securities Rating Co., Ltd. conducted ratings of the credit status of the corporate bonds publicly offered by the Company: “18 EVERBRIGHT SECURITIES G3”, and issued a Credit Rating Report on the Corporate Bonds (Second Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2018, in which the Company was given AAA corporate credit rating; the outlook for the rating was stable, and it was given AAA debt credit rating. The full text of the Credit Rating Report on the Corporate Bonds (Second Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2018 is available on the website of the SSE (<http://www.sse.com.cn>).

Pursuant to the rating service agreement entered into by the Company and China Chengxin Securities Rating Co., Ltd., the track rating reports on the aforesaid bonds in 2018 will be disclosed on the website of the SSE (<http://www.sse.com.cn>) before June 30, 2019 for the attention of investors.

### V Corporate Bonds Credit Enhancement Mechanism, Debt Repayment Plan and Others during the Reporting Period

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

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

## SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

### VI Performance of Trustee Manager of Corporate Bonds

Industrial Securities Co., Ltd. was engaged as the bond trustee manager of “16 EVERBRIGHT SECURITIES 06”, “18 EVERBRIGHT SECURITIES 02”, “18 EVERBRIGHT SECURITIES 03”, “18 EVERBRIGHT SECURITIES 05”, “18 EVERBRIGHT SECURITIES 06” and “19 EVERBRIGHT SECURITIES 01”; China Galaxy Securities Co., Ltd. was engaged as the bond trustee manager of “17 EVERBRIGHT SECURITIES 04”, “17 EVERBRIGHT SECURITIES 05”, “17 EVERBRIGHT SECURITIES 06” and “18 EVERBRIGHT SECURITIES C1”; and Guotai Junan Securities Co., Ltd. was engaged as the bond trustee manager of “17 EVERBRIGHT SECURITIES G1”, “17 EVERBRIGHT SECURITIES G2”, “17 EVERBRIGHT SECURITIES G3”, “17 EVERBRIGHT SECURITIES G4”, “18 EVERBRIGHT SECURITIES G1”, “18 EVERBRIGHT SECURITIES G2” and “18 EVERBRIGHT SECURITIES G3”. 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 2018 of the bonds mentioned above will be disclosed on the website of the SSE (<http://www.sse.com.cn>) before June 30, 2019 for the attention of investors.

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

Unit: Yuan Currency: RMB

Main indicator	2018	2017	Increase/decrease for the period over the same period last year (%)	Reason for the change
EBITDA	4,956,499,160.00	6,307,792,702.59	(21.42)	Decrease in profit before tax
Current ratio	3.03	1.93	56.99	Increase in current assets and decrease in current liabilities
Quick ratio	1.57	0.88	78.41	Increase in quick assets and decrease in current liabilities
Gearing ratio (%)	71.32%	69.67%	Increased by 1.65 percentage points	
EBITDA to total debts ratio	0.08	0.12	(33.33)	Decrease in EBITDA
Interest coverage ratio	1.66	3.23	(48.61)	Decrease in EBIT
Cash interest coverage ratio	(0.80)	(13.50)	N/A	Increase in net cash flow from operating activities
EBITDA interest coverage ratio	1.80	3.45	(47.83)	Decrease in EBITDA
Loan payment ratio	N/A	N/A	N/A	
Interest payment ratio	117.82%	112.58%	Increased by 5.24 percentage point	

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

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

Note 3: EBITDA has not taken into account of the influence of MPS event.

## **SECTION IX 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 December 31, 2018, the total amount of banking facilities of the Company amounted to approximately RMB250 billion, among which the amount of approximately RMB50 billion were used and the remaining amount of approximately RMB200 billion were available for use.

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

### **X Other Matters**

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

**Everbright Securities Company Limited**

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

Audited Consolidated Financial Statements

31 December 2018



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## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Everbright Securities Company Limited

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

#### Opinion

We have audited the consolidated financial statements of Everbright Securities Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 12 to 168 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Basis for opinion

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

#### Key audit matters

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

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



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

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<u>Provision for contingent liability</u>	
<p>Everbright Capital Investment Co., Ltd. (hereinafter referred to as "Everbright Capital"), a wholly-owned subsidiary of the Group, is principally engaged in private equity investment fund business. Everbright Jinhui Investment Management (Shanghai) Co., Ltd. (hereinafter referred to as "Everbright Jinhui") is a wholly-owned subsidiary of Everbright Capital.</p> <p>In April 2016, Everbright Jinhui together with Baofeng (Tianjin) Investment Management Co., Ltd (hereinafter referred to as "Baofeng Investment"), a wholly-owned subsidiary of Baofeng Group Co., Ltd., and Shanghai Qunchang Financial Services Co., Ltd. signed a partnership agreement with the limited partners of Shanghai Jinxin Investment Consultancy Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Jinxin Fund") as general partners. Jinxin Fund acquired a 65% stake in the overseas MP&amp;Silva Holding S.A. (hereinafter referred to as "MPS") through incorporation of special purpose vehicle. Everbright Jinhui is the managing partner of Jinxin Fund. Jinxin fund's senior-tranche limited partners contributed RMB 3,200,000 thousand, the mid-tranche limited partners contributed RMB1,000,000 thousand, and the junior-tranche limited partners contributed RMB1,000,000 thousand.</p> <p>The senior-tranche limited partners of Jinxin Fund presented the Company with the "Letter of Makeup of Shortfall" with the chip of Everbright Capital affixed, the main contents of which are that Everbright Capital shall have the obligation to make up the corresponding shortfall to the extent the senior-tranche limited partners cannot exit their investments within 36 months of the establishment of Jinxin Fund.</p> <p>Based on the prevailing available information and with reference to the professional advice from external attorneys, the Group made a provision in the consolidated financial statements as at 31 December 2018 amounting to RMB 1,400,000 thousand for contingent losses that may result from the above-mentioned "Letter of Makeup of Shortfall".</p>	<p>The audit procedures related to the recognition of provision mainly include:</p> <ul style="list-style-type: none"> <li>• We reviewed the relevant contracts, agreements, internal approval documentation and legal correspondences in respect of the investment and the related litigation and dispute.</li> <li>• We obtained and reviewed the management's understanding about the litigation, arbitration, and assets preservation related to the MPS project investment, and reviewed relevant legal documents and other information;</li> <li>• We reviewed the professional advices from the external attorneys engaged by the Company regarding the litigation and dispute;</li> <li>• We obtained and reviewed management's assessment of the outcome of the above litigation and dispute;</li> <li>• We consulted with legal experts to assist us in evaluating the judgment of Everbright Capital with regard to the litigation and dispute; and</li> <li>• We reviewed the relevant disclosures of the incident in the financial statements.</li> </ul>





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

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<i>Provision for contingent liability (continued)</i>	
<p>We identified the recognition of provision as a key audit matter because of the balance and the significant management judgement and estimate used in the measurement of provision.</p> <p>Refer to the summary of significant accounting policies in note 2.4, the significant accounting judgements and estimates in note 3 and note 14 to the consolidated financial statements.</p>	

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

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<u>Provisions for expected credit loss</u>	
<p>The Group performs impairment assessment and recognizes credit loss expense for margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income on the basis of expected credit loss ("ECL") at the reporting date. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECLs. If the credit risk has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime ECLs ("LTECL"). If the financial asset is credit-impaired, the Group measures the loss allowance at an amount equal to LTECLs. The Group considers all reasonable and supportable information in ECL assessment, including forward-looking information.</p> <p>As at 31 December 2018, the carrying amount of the Group's margin accounts receivable was RMB30,337,928 thousand with cumulative allowance for ECL of RMB258,859 thousand and financial assets held under resale agreements amounting to RMB33,708,788 thousand with a cumulative allowance for ECL of RMB427,107 thousand.</p> <p>As at 31 December 2018, the carrying amount of the Group's financial assets measured at amortized cost was RMB7,902,881 thousand with a cumulative allowance for ECL of RMB138,427 thousand and the carrying amount of the Group's debt instruments at fair value through other comprehensive income was RMB8,398,879 thousand with a cumulative allowance for ECL of RMB84,750 thousand.</p> <p>We identified the provisions for expected credit loss as a key audit matter because of the significance of balance and the significant management judgement involved, including the classification of stages for measurement of ECLs and the estimation of future cash flows.</p>	<p>The audit procedures related to the recognition of provision mainly include:</p> <ul style="list-style-type: none"> <li>• We assessed and evaluated the design and operating effectiveness of the controls over the process for the assessment of impairment of margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income.</li> <li>• We assessed the Group's criteria for classification of stages and the models for measurement of ECLs.</li> <li>• We evaluated the key inputs related to the measurement of ECL used by the management on sampling check basis, including probability of default, loss given default, exposure at default, discount rate and forward-looking information, etc..</li> <li>• We assessed the management's ECLs results and checked if they are consistent with market practice and historical loss experience.</li> </ul> <p>We reviewed the disclosures related to the impairment of margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income in the consolidated financial statements.</p>



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

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<i>Provisions for expected credit loss (continued)</i>	
Refer to note 29, note 31, note 38 and note 39 to the consolidated financial statements, the summary of significant accounting policies in note 2.4 and the significant accounting judgements and estimates in note 3.	



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

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<i>Fair value of financial instruments</i>	
<p>As at 31 December 2018, the fair value of the Group's financial assets totalled RMB 70,922,952 thousand, of which RMB15,462,149 thousand, RMB 40,763,080 thousand and RMB14,697,723 thousand were classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.</p> <p>As at 31 December 2018, the fair value of the Group's financial liabilities totalled RMB780,440 thousand, of which RMB5 thousand, RMB492,819 thousand and RMB287,616 thousand were classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.</p> <p>The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement.</p> <p>The Group has developed its own models to value certain financial instruments which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.</p> <p>Refer to note 64 to the consolidated financial statements, the summary of significant accounting policies in note 2.4 and the significant accounting judgements and estimates in note 3.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;</li> <li>• We assessed the fair values financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data;</li> <li>• We read investment agreements entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;</li> <li>• We involved engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain financial instruments and to perform, on a sample basis, independent valuations of financial instruments and compared these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</li> <li>• We reviewed the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards; and</li> <li>• For the key underlying systems used for the processing of transactions in relation to financial instruments, we involved our IT specialists to assess the design, implementation and operating effectiveness of a selection of relevant IT application controls within these systems. We also assessed the design, implementation and operating effectiveness of the general IT controls over these underlying systems, including controls over access to these systems and controls over data program change and computer operation.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Everbright Securities Company Limited

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

## Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Consolidation of structured entities</u>	
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust product or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposures to and ability to influence the Group's returns from the entity. In certain circumstances, the Group may be required to consolidate a structured entity even though it has no equity interest therein.</p> <p>The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.</p> <p>As at 31 December 2018, the carrying amount of the Group's interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB31,462,194 thousand. The amount of assets held by the Group in the structured entities sponsored by the Group which the Group did not consolidate but in which it held an interest was RMB1,753,561 thousand.</p> <p>We identified the consolidation of structured entities as a key audit matter because significant management judgement can be required in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.</p> <p>Refer to note 25 to the consolidated financial statements and the significant accounting judgements and estimates in note 3.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• We made inquiries of management and inspected documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;</li> <li>• We selected significant structured entities for each key product type and performed the following procedures: <ul style="list-style-type: none"> <li>- We inspected the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;</li> <li>- We evaluated the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;</li> <li>- We evaluated management's analysis of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;</li> <li>- We evaluated management's judgement over whether the structured entity should be consolidated or not;</li> <li>- We assessed the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li> </ul> </li> </ul>



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

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of goodwill</u></p> <p>As at 31 December 2018, the carrying amount of goodwill, which mainly arose from the acquisition of Everbright Securities (International) Limited ("EBSI") and Sun Hung Kai Financial Group Limited ("SHKFGL") in 2011 and 2015 respectively, was RMB1,257,046 thousand, representing 3% of the Group's net assets as at that date.</p> <p>There is a risk that the carrying value of goodwill may not be recoverable in full through the future cash flows to be generated from the relevant cash-generating units (the "CGUs") to which the goodwill has been allocated. In order to assess the recoverable amount of goodwill, during the year management engaged an external appraiser to calculate the value in use of the relevant CGUs using the discounted cash flow model with a cash flow forecast compiled by management.</p> <p>We identified impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because determining whether any impairment is required involves a significant degree of management judgement and estimation, particularly in forecasting future cash flows, including budgeted income, the long-term growth rate and profit margins and in determining appropriate discount rates, all of which can be inherently uncertain and could be subject to management bias.</p> <p>Refer to note 22 to the consolidated financial statements, the significant accounting judgement and estimates in note 3 and the summary of significant accounting policies in note 2.4.</p>	
	<p>Our audit procedures to assess potential impairment of goodwill included the following:</p> <ul style="list-style-type: none"> <li>• We assessed management's identification of the CGUs and the allocation of goodwill and other assets to each CGU with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;</li> <li>• We evaluated the competence, capabilities and objectivity of the external appraiser appointed by management;</li> <li>• We involved our internal valuation specialists to evaluate the methodology and assumptions adopted in the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;</li> <li>• We tested the assumptions and critical judgements adopted in the discounted cash flow forecasts by comparing key inputs, including budgeted income, the long-term growth rate and profit margins with the historical performance of the relevant subsidiaries, details in the financial budgets approved by the board of directors, recent business pipe line reports, industry research reports and industry statistics;</li> <li>• We assessed the discount rates applied in the discounted cash flow forecasts by recalculating the discount rates based on market data for similar companies in the same industry and compared our calculations with the discount rates adopted in the discounted cash flow forecasts;</li> <li>• We performed sensitivity analyses for the key assumptions, including budgeted income and the discount rates applied to assess the impact of changes in these key assumptions on the results of impairment assessments and considering whether there were any indicators of management bias in the selection of key assumptions;</li> <li>• We assessed the results of the value-in-use calculations by comparison with valuations derived from price/book multiples of comparable companies in the market; and</li> <li>• We assessed the disclosures in the consolidated financial statements in relation to the assessment of potential impairment of goodwill with reference to the requirements of the prevailing accounting standards.</li> </ul>



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

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

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

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

**Responsibilities of the directors for the consolidated financial statements**

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

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT (continued)****To the shareholders of Everbright Securities Company Limited***(Established in the People's Republic of China with limited liability)***Auditor's responsibilities for the audit of the consolidated financial statements (continued)**

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT (continued)**

**To the shareholders of Everbright Securities Company Limited**

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

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

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

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



Ernst & Young  
Certified Public Accountants  
Hong Kong  
27 March 2019

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	2018	2017
<b>Revenue</b>			
Fee and commission income	5	5,783,468	6,714,916
Interest income	6	6,589,033	5,128,883
Net investment gains	7	803,763	2,494,639
<b>Total revenue</b>		13,176,264	14,338,438
Other income and gains	8	306,320	422,797
<b>Total revenue and other income</b>		13,482,584	14,761,235
Fee and commission expenses	9	(872,158)	(1,091,297)
Interest expenses	10	(4,871,907)	(3,883,383)
Staff costs	11	(3,046,030)	(3,201,233)
Depreciation and amortization expenses	12	(379,942)	(399,822)
Tax and surcharges		(63,909)	(70,675)
Other operating expenses	13	(1,738,361)	(1,669,174)
Provision for contingent liabilities	14	(1,400,000)	-
Provision for impairment losses	15	(103,662)	(451,282)
Credit loss expense	16	(678,792)	-
<b>Total expenses</b>		(13,154,761)	(10,766,866)
<b>Operating profit</b>		327,823	3,994,369
Share of profit of associates and joint ventures		(22,382)	83,288
<b>Profit before income tax</b>		305,441	4,077,657
Income tax expense	17	(61,594)	(950,658)
<b>Profit for the year</b>		243,847	3,126,999
Attributable to:			
Shareholders of the Company		103,323	3,016,470
Non-controlling interests		140,524	110,529
<b>Total</b>		243,847	3,126,999
Basic and diluted earnings per share (in Renminbi per share)	20	0.0224	0.6542

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	<b>2018</b>	<b>2017</b>
<b>Profit for the year</b>	<u>243,847</u>	<u>3,126,999</u>
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income		
-Net change in fair value	301,997	-
-Provision for ECL allowance	56,912	-
-Reclassified to profit or loss	(274,534)	-
Available-for-sale financial assets		
-Net change in fair value	-	55,226
-Reclassified to profit or loss	-	(1,012,509)
Share of other comprehensive income of associates	1,484	3,554
Exchange differences on translation of financial statements in foreign currencies	71,595	(111,028)
Income tax impact	(20,987)	242,077
Total items that may be reclassified subsequently to profit or loss	<u>136,467</u>	<u>(822,680)</u>
Items that will not be reclassified subsequently to profit or loss:		
Equity instruments at fair value through other comprehensive income		
-Net change in fair value	(751,888)	-
-Income tax impact	187,972	-
Total items that will not be reclassified subsequently to profit or loss	<u>(563,916)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>(183,602)</u>	<u>2,304,319</u>
Attributable to:		
Shareholders of the Company	(362,680)	2,250,622
Non-controlling interests	179,078	53,697
<b>Total</b>	<u>(183,602)</u>	<u>2,304,319</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	31 December 2018	31 December 2017
<b>Non-current assets</b>			
Property and equipment	21	800,043	830,279
Goodwill	22	1,257,046	1,199,675
Other intangible assets	23	436,214	557,703
Interests in associates and joint ventures	26	1,096,310	1,229,774
Held-to-maturity investments	27	-	378,885
Available-for-sale financial assets	28	-	10,435,863
Financial assets measured at amortized cost	39	7,606,011	-
Equity instruments at fair value through other comprehensive income	30	4,848,015	-
Debt instruments at fair value through other comprehensive income	29	7,945,473	-
Financial assets held under resale agreements	31	3,554,278	5,530,800
Refundable deposits	32	3,186,808	3,713,016
Deferred tax assets	33	1,235,048	503,160
Finance lease receivables	34	3,362,252	5,092,231
Other non-current assets	35	153,229	498,615
<b>Total non-current assets</b>		<b>35,480,727</b>	<b>29,970,001</b>
<b>Current assets</b>			
Accounts receivable	36	3,211,112	3,113,373
Finance lease receivables	34	1,934,578	577,613
Other receivables and prepayments	37	2,596,349	4,177,813
Margin accounts receivable	38	30,337,928	37,708,357
Available-for-sale financial assets	28	-	27,520,440
Debt instruments at fair value through other comprehensive income	29	453,406	-
Financial assets held under resale agreements	31	30,154,510	14,550,244
Financial assets measured at amortized cost	39	296,870	-
Financial assets at fair value through profit or loss	40	57,649,338	37,446,511
Derivative financial assets	41	26,720	196,874
Clearing settlement funds	42	1,475,419	738,426
Cash held on behalf of brokerage clients	43	33,234,544	40,105,816
Cash and bank balances	44	8,927,537	9,758,897
<b>Total current assets</b>		<b>170,298,311</b>	<b>175,894,364</b>
<b>Total assets</b>		<b>205,779,038</b>	<b>205,864,365</b>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	<b>Notes</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Current liabilities</b>			
Loans and borrowings	46	4,769,266	7,137,860
Short-term debt instruments	47	14,109,673	18,491,732
Placements from other financial institutions	48	5,609,349	2,993,700
Financial liabilities at fair value through profit or loss	49	287,616	456,941
Accounts payable to brokerage clients	50	35,965,897	41,060,343
Employee benefits payable	51	1,496,243	2,031,053
Other payables and accruals	52	11,436,334	9,498,470
Current tax liabilities	33	403,306	800,644
Financial assets sold under repurchase agreements	53	15,953,819	23,315,495
Derivative financial liabilities	41	492,824	156,280
Long-term bonds due within one year	54	8,680,687	15,978,921
<b>Total current liabilities</b>		<b>99,205,014</b>	<b>121,921,439</b>
<b>Net current assets</b>		<b>71,093,297</b>	<b>53,972,925</b>
<b>Total assets less current liabilities</b>		<b>106,574,024</b>	<b>83,942,926</b>
<b>Non-current liabilities</b>			
Loans and borrowings	46	10,212,460	5,326,106
Long-term bonds	54	40,837,158	24,938,709
Deferred tax liabilities	33	101,436	47,938
Employee benefits payable	51	998	2,051
Provision	14	1,400,000	-
Other non-current liabilities	55	5,264,117	3,605,454
<b>Total non-current liabilities</b>		<b>57,816,169</b>	<b>33,920,258</b>
<b>Net assets</b>		<b>48,757,855</b>	<b>50,022,668</b>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	31 December 2018	31 December 2017
<b>Equity</b>			
Share capital	56	4,610,788	4,610,788
Reserves	57	32,458,990	32,334,276
Retained profits	57	10,133,250	11,630,848
Total equity attributable to shareholders of the Company		47,203,028	48,575,912
Non-controlling interests		1,554,827	1,446,756
<b>Total equity</b>		<b>48,757,855</b>	<b>50,022,668</b>

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



Director



Director

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	Attributable to shareholders of the Company									
	Reserves									
	Share capital (Note 56)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 57)	Total	Non-controlling interests	Total equity
As at 31 December 2017	4,610,788	23,559,011	2,909,756	6,357,665	(229,572)	(262,584)	11,630,848	48,575,912	1,446,756	50,022,668
Impact of adopting IFRS 9	-	-	(63,227)	(128,224)	658,442	-	(384,099)	82,892	(4,548)	78,344
As at 1 January 2018	4,610,788	23,559,011	2,846,529	6,229,441	428,870	(262,584)	11,246,749	48,658,804	1,442,208	50,101,012
Profit for the year	-	-	-	-	-	-	103,323	103,323	140,524	243,847
Other comprehensive income	-	-	-	-	(499,044)	33,041	-	(466,003)	38,554	(427,449)
Total comprehensive income	-	-	-	-	(499,044)	33,041	103,323	(362,680)	179,078	(183,602)
Other movement in capital reserve	-	(170,938)	-	-	-	-	-	(170,938)	-	(170,938)
Other comprehensive income that have been reclassified to retained profits	-	-	-	-	1,563	-	(1,563)	-	-	-
Appropriation to surplus reserve	-	-	46,811	-	-	-	(46,811)	-	-	-
Appropriation to general reserve	-	-	-	246,290	-	-	(246,290)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(66,459)	(988,617)
As at 31 December 2018	4,610,788	23,388,073	2,893,340	6,475,731	(68,611)	(229,543)	10,133,250	47,203,028	1,554,827	48,757,855

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	Attributable to shareholders of the Company									
	Reserves									
	Share capital (Note 56)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 57)	Total	Non-controlling interests	Total equity
As at 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 year	-	-	-	-	-	-	3,016,470	3,016,470	110,529	3,126,999
Other comprehensive income	-	-	-	-	(713,634)	(52,214)	-	(765,848)	(56,832)	(822,680)
Total comprehensive income	-	-	-	-	(713,634)	(52,214)	3,016,470	2,250,622	53,697	2,304,319
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	(25,764)	(25,764)
Other movement in capital reserve	-	51,736	-	-	-	-	-	51,736	-	51,736
Appropriation to surplus reserve	-	-	271,888	-	-	-	(271,888)	-	-	-
Appropriation to general reserve	-	-	-	698,386	-	-	(698,386)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(22,129)	(944,287)
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

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



EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	Notes	2018	2017
<b>Cash flows from operating activities:</b>			
Profit before income tax		305,441	4,077,657
Adjustments for:			
Interest expenses		3,523,436	2,516,161
Share of profit of associates and joint ventures		22,382	(83,288)
Gain on disposal of associates and joint ventures		(1,217)	-
Depreciation and amortisation expenses	12	379,942	399,822
Provision for impairment losses	15	103,662	451,282
Credit loss expense	16	678,792	-
Gain on disposal of property and equipment and other intangible assets		(295)	(392)
Provision for contingent liabilities	14	1,400,000	-
Foreign exchange losses		19,059	110,127
Interest income and net realised gains from disposal of debt instruments at fair value through other comprehensive income		(1,042,350)	-
Interest income and net realised gains from disposal of financial instruments at amortized cost		(472,129)	-
Gain on disposal of interests in subsidiaries, associates, joint ventures		(922)	-
Dividend income from equity instruments at fair value through other comprehensive income		(383,034)	-
Dividend income and interest income from available-for-sale financial assets		-	(138,963)
Unrealised fair value changes of financial instruments at fair value through profit or loss		187,349	172,928
Unrealised fair value changes of derivative financial instruments		42,999	(17,228)
Operating cash flows before movements in working capital		4,763,115	7,488,106

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
<b>(continued)</b>		
<i>Changes in operating assets</i>		
Decrease in refundable deposits	526,208	2,071,171
Decrease /(increase) in margin accounts receivable	7,375,254	(406,649)
Increase/(decrease) in finance lease receivables	367,130	(1,635,229)
Decrease /(increase) in accounts receivable, other receivables and prepayments	2,065,684	(1,300,306)
Increase in financial assets held under resale agreements	(14,054,851)	(10,494,589)
Increase in financial instruments at fair value through profit or loss	(6,351,861)	(12,911,656)
Decrease /(increase) in derivative financial instruments	463,699	(7,671)
Increase in restricted bank deposits	(66,285)	(4,780)
Decrease in cash held on behalf of brokerage clients	6,928,769	11,467,421
Decrease /(increase) in other investments	5,228,190	(19,865,013)
<i>Changes in operating liabilities</i>		
Decrease in accounts payable to brokerage clients	(5,094,446)	(14,282,984)
(Decrease)/increase in other payables and accruals	(5,788,519)	2,900,416
Decrease in employee benefits payable	(535,863)	(235,777)
(Decrease)/increase in financial assets sold under repurchase agreements	(7,361,676)	14,798,594
Increase/(decrease) increase in placements from other financial institutions	2,615,649	(6,113,860)
Cash used in operations	(8,919,803)	(28,532,806)
Income taxes paid	(999,180)	(727,329)
Interest paid for operating activities	(1,466,227)	(1,348,832)
Net cash flows used in operating activities	<u>(11,385,210)</u>	<u>(30,608,967)</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise specified)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property and equipment and other intangible assets		942	42,306
Dividends received from associates and joint ventures		16,338	18,965
Dividends and interest received from available-for-sale financial assets		-	44,295
Interest income from debt instruments at fair value through other comprehensive income		1,924,411	-
Purchases of property and equipment, other intangible assets and other non-current assets		(226,446)	(178,820)
Purchases of held-to-maturity investments		-	(219,545)
Proceeds from (purchase)/disposal of associates and joint ventures		(32,641)	553,257
Proceeds from disposal of subsidiaries		43	-
Purchases of available-for-sale financial assets for investment purpose		-	(797,046)
Purchases of equity instruments at fair value through other comprehensive income		1,553,356	-
Purchase of non-controlling interests shareholding in a subsidiary		-	(25,764)
Purchase of investments classified as receivables and other investments		1,348,159	2,517,523
Net cash flows from investing activities		4,584,162	1,955,171
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term bonds		29,218,251	25,914,520
Proceeds from issuance of short-term debt instruments		24,698,608	25,891,035
Proceeds from bank and other loans		14,730,644	24,297,982
Long-term bonds repaid		(16,298,202)	(13,500,000)
Short-term debt instruments repaid		(29,460,493)	(13,329,005)
Bank and other loans repaid		(12,223,067)	(20,285,090)
Loans, bonds and debt instruments interest paid		(3,240,292)	(2,060,558)
Dividends paid		(988,616)	(944,287)
Net cash flows from financing activities		6,436,833	25,984,597
Net decrease in cash and cash equivalents		(364,215)	(2,669,199)
Cash and cash equivalents at the beginning of the year		6,158,066	8,937,392
Effect of foreign exchange rate changes		(33,891)	(110,127)
Cash and cash equivalents at the end of the year	45	5,759,960	6,158,066

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

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

## 1. GENERAL INFORMATION

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

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

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

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

As at 31 December 2018, the Company’s registered capital was RMB4,610,787,639 and the Company had a total of 4,610,787,639 issued shares of RMB1.00 each.

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

## 2.1 BASIS OF PREPARATION

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except as described below, the application of the above new and revised IFRSs has had no significant financial effect on these financial statements.

### 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 31 December 2018 and for the year then ended. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

(1) Classification and measurement

The measurement categories and the carrying amounts of financial instruments under IAS 39 and IFRS 9 as at 1 January 2018 are as follows:

	IAS 39 Measurement categories	Carrying amount	IFRS 9 Measurement categories	Carrying amount
Assets				
Held-to-maturity investments	Amortized cost	378,885	NA	-
Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	37,956,303	NA	-
Equity instruments at fair value through other comprehensive income	NA	-	Financial assets at fair value through other comprehensive income	5,502,479
Financial assets held under resale agreements	Amortized cost	20,081,044	Amortized cost	20,051,786
Financial assets measured at amortized cost	NA	-	Amortized cost	9,010,472
Deferred tax assets	NA	503,160	NA	474,317
Other non-current assets	Amortized cost	498,615	Amortized cost	181,073
Margin accounts receivable	Amortized cost	37,708,357	Amortized cost	37,666,789
Debt instruments at fair value through other comprehensive income	NA	-	Financial assets at fair value through other comprehensive income	10,012,201
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	37,446,511	Financial assets at fair value through profit or loss	51,774,320
Other receivables and prepayments	Amortized cost	4,177,813	Amortized cost	4,155,594

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

(1) Classification and measurement (continued)

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	As at 31 December 2017	Reclassification	Remeasurement	As at 1 January 2018
Assets:				
Held-to-maturity investments	378,885	(378,885)	-	-
To: Financial assets measured at amortized cost		(228,680)		
Financial assets at fair value through profit or loss		(150,205)		
Available-for-sale financial assets	37,956,303	(37,956,303)	-	-
To: Debt instruments at fair value through other comprehensive income		(9,993,308)		
To: Equity instruments at fair value through other comprehensive income		(5,502,479)		
To: Financial assets measured at amortized cost		(8,180,157)		
To: Financial assets at fair value through profit or loss		(14,280,359)		
Equity instruments at fair value through other comprehensive income	-	5,502,479	-	5,502,479
From: Available-for-sale financial assets		5,502,479		
Financial assets held under resale agreements	20,081,044	-	(29,258)	20,051,786
Financial assets measured at amortized cost	-	8,829,925	180,547	9,010,472
From: Available-for-sale financial assets		8,182,718	180,547	
From: Held-to-maturity investments		228,680		
From: Other non-current assets		317,542		
From: Financial assets at fair value through profit or loss		100,985		
Other non-current assets	498,615	(317,542)	-	181,073
To: Financial assets measured at amortized cost		(317,542)		



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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

(1) Classification and measurement (continued)

	As at 31 December 2017	Reclassification	Remeasurement	As at 1 January 2018
Margin accounts receivable	37,708,357	(511)	(41,057)	37,666,789
Debt instruments at fair value through other comprehensive income	-	10,012,201	-	10,012,201
From: Available-for-sale financial assets		10,012,201		
Financial assets at fair value through profit or loss	37,446,511	14,329,579	(1,770)	51,774,320
From: Available-for-sale financial assets		14,280,359		
From: Held-to-maturity investments		150,205	(1,770)	
To: Financial assets measured at amortized cost		(100,985)		
Other receivables and prepayments	4,177,813	(20,942)	(1,277)	4,155,594

(2) Impairment allowance

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9:

	As at 31 December 2017	Reclassification	Remeasurement	As at 1 January 2018
Available-for-sale financial assets	88,860	(88,860)	-	-
Financial assets held under resale agreements	-	-	29,258	29,258
Financial assets measured at amortized cost	-	-	12,334	12,334
Debt instruments at fair value through other comprehensive income	-	-	27,838	27,838
Margin accounts receivable	263,685	511	41,057	305,253
Other receivables and prepayments	92,460	-	1,277	93,737

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (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 has had no significant impact on these financial statements.

### Amendments to IFRS 2

Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

### Amendments to IAS 40

Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### IFRIC Interpretation 22

IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Definition of a Business<sup>2</sup></i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
IFRS 16	<i>Leases<sup>1</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material<sup>2</sup></i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement<sup>1</sup></i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures<sup>1</sup></i>
IFRIC-Interpretation 23	<i>Uncertainty over Income Tax Treatments<sup>1</sup></i>
<i>Annual Improvements 2015-2017 Cycle</i>	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

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

(All amounts expressed in RMB thousand unless otherwise specified)

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

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

(All amounts expressed in RMB thousand unless otherwise specified)

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

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases - Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provision in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16.

The Group will adopt IFRS 16 on 1 January 2019 using the modified retrospective method. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As at 31 December 2018, the total operating lease commitments of the Group refer to note 59(b). The Group has performed a detailed assessment, and the directors of the Company do not expect the adoption of IFRS 16 would result in a significant impact on the Group's equity but it is expected that the total assets and total liabilities will increase.

(All amounts expressed in RMB thousand unless otherwise specified)

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

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

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates and joint ventures

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

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

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

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

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill

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

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

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

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

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

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

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

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



(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair value measurement

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

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

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

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

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property and equipment and depreciation

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

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

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

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

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

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

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill)

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

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

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

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

### Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

#### *Initial recognition and measurement*

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

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

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

#### *Subsequent measurement*

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

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

#### *Subsequent measurement (continued)*

##### *Financial assets at amortized cost (debt instruments)*

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

##### *Financial assets designated at fair value through other comprehensive income (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

#### *Subsequent measurement (continued)*

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

#### *Subsequent measurement*

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

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as net investment gains or losses in the statement of profit or loss. The net investment gains recognized in profit or loss include any dividend or interest earned on the financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)  
(continued)

*Subsequent measurement (continued)*

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

*Available-for-sale financial investments*

Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss in net investment gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss in provision for impairment losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as net investment gains.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.



(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### *General approach*

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

#### *General approach (continued)*

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

#### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

#### *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. The Group considers the extent and duration of the decline in evaluating whether a decline in fair value is significant or prolonged. The Group generally considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months or longer. The Group also takes into consideration other specific relevant factors when assessing whether there is objective evidence that an investment is impaired or not. Regarding the funds contributed by the Group to the designated accounts managed by China Securities Finance Corporation Limited, owing to the unique characteristics of this investment, that is, the Group cannot control the way in which China Securities Finance Corporation Limited uses the Group’s fund contributions and when the contributions are redeemed, after further considering other relevant factors such as industry practice, the Group considers the threshold for the determination of impairment for this investment to be the fair value below the cost by more than 50% or for a continuous period of more than thirty-six months.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities

*Initial recognition and measurement (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

### *Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from 1 January 2018)*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

*Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before 1 January 2018)*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities (continued)

*Other financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)*

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The Group recognizes the put option granted by the Group to the non-controlling shareholders providing for settlement in cash or in other financial asset as a financial liability. The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. Subsequently, the financial liability is measured at amortised cost. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

*Convertible bonds (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)*

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

#### *Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

### Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

The collateral is not recognised on the statement of financial position, and the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risk and rewards of ownership are also transferred.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

### Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expenses respectively.

### Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in note 2.1.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in subsidiaries (continued)

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss in the company level statement of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

### Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers would decrease by the difference, in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers would increase by the difference after deducting withholding stamp duty and commission.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

### Provision and contingent liabilities

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provision above; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.



(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

### Revenue recognition (applicable from 1 January 2018)

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### (a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

#### (b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

#### (c) Asset management business

Income from regular management fees is recognized periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognized when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (applicable from 1 January 2018) (continued)

#### *Revenue from contracts with customers (continued)*

##### (d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

### Revenue recognition (applicable before 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

#### *Securities brokerage and investment consulting business*

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

#### *Underwriting and sponsorship business*

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be measured reliably.

#### *Asset management business*

Income from the asset management business is recognized when the Group is entitled to receive the income under the asset management agreement.

#### *Interest income*

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

#### *Other income*

Other income is recognized on an accrual basis.

(All amounts expressed in RMB thousand unless otherwise specified)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Expenses recognition

#### *Commission expenses*

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

#### *Interest expenses*

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

#### *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### *Other expenses*

Other expenses are recognised on an accrual basis.

### Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investments in subsidiaries
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Employee benefits

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

#### *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from a rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

#### *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### Dividends

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

### Foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administration of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of the reporting period. The equity items, excluding “retained profits”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operations are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

#### *Operating lease charges*

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

#### *Assets leased out under operating leases*

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in note 2.4. Impairment losses are recognised in accordance with the accounting policies described in note 2.4. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### *Assets leased out under finance leases*

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivables, and recognises unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the end of the reporting period, finance lease receivables, net of unearned finance income, are analysed and separately presented as long-term receivables or non-current assets due within one year. Contingent rentals are recognised as income when they are earned.

### Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.



(All amounts expressed in RMB thousand unless otherwise specified)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and the internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information regarding financial performance is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each product and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Business model*

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. Management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods.

#### *Contractual cash flows characteristics*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. Management needs to make significant judgment on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. For instance, determining whether contractual cash flows could be significantly different from the benchmark cash flows involves judgment when assessing a modified time value of money element, whether the fair value of prepayment features is insignificant also needs judgment when assessing and determining the financial assets with prepayment features.

(All amounts expressed in RMB thousand unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

*Transfer of financial assets*

Management needs to make significant judgement on the transfer of financial assets. Whether financial assets being transferred or not may affect accounting methods as well as the financial position and operating results of the Group.

*Determination of the consolidation scope*

All facts and circumstances must be taken into consideration in the assessment of whether the Group controls an entity. The principle of control includes three elements: (i) power over the entity; (ii) exposure, or rights, to variable returns from involvement with the entity; and (iii) the ability to use power over the entity to affect the amount of entity's returns. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group is involved as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

*Provision*

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Fair value of financial instruments*

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustments if necessary.

(All amounts expressed in RMB thousand unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

*Impairment of margin accounts receivable and financial assets held under resale agreements*

Before 1 January 2018, the Group reviewed its margin accounts receivable and financial assets held under resale agreements to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in profit or loss, the Group assesses the recoverable amounts firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers. If the Group determines that no objective evidence of impairment exists for an individually assessed credit asset, then on a collective basis in determining the impairment. The policy for collective impairment allowances for margin accounts receivable and financial assets held under resale agreements of the Group is based on the collateral securities, collateral ratio, volatilities, concentration, etc. The methodology and assumptions used for estimating the impairment of margin accounts receivable and financial assets held under resale agreements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

*Impairment of available-for-sale investments*

Before 1 January 2018, if there had been a significant or prolonged (after considering all related factors) decline in the fair value of available-for-sale investments, the impairment losses would be provided by reclassification the cumulative unrealized loss arising from the decline in fair value and previously recorded in other comprehensive loss to profit or loss. The Group considers the extent and duration of the decline in evaluating whether a decline in fair value is significant or prolonged. The Group generally considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of twelve months or longer. The Group also takes into consideration of other specific relevant factors when assessing whether there is objective evidence that an investment is impaired or not. Regarding the funds contributed by the Group to the designated accounts managed by China Securities Finance Corporation Limited, owing to the unique characteristics of this investment, that is, the Group cannot control the way in which China Securities Finance Corporation Limited uses the Group's fund contributions and when the contributions are redeemed, after further considering other relevant factors such as industry practice, etc., the Group considers the threshold for the determination of impairment for this investment to be the fair value below the cost by more than 50% or for a continuous period of more than thirty-six months.

Impairment losses on debt instruments are reversed through the statement of profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

(All amounts expressed in RMB thousand unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

*Impairment of financial instruments*

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgment and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgment and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economy indicators, and industrial risk.

*Impairment of non-financial assets*

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumptions.

*Impairment of goodwill*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

*Depreciation and amortisation*

Property and equipment, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(All amounts expressed in RMB thousand unless otherwise specified)

#### 4. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%, 25%
Value added tax ("VAT")	Taxable revenue	3%-17%
City maintenance and construction tax	Value added tax paid	1%, 7%
Education surcharge	Value added tax paid	3%

The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

According to the notice of the Ministry of Finance and the State Administration of Taxation on the adjustment of VAT rate on 4 April 2018 (Caishui[2018] No. 32), since 1 May 2018, VAT taxable sales or imported goods of taxpayers which subject to the original 17% and 11% tax rates, have adjusted to 16% and 10% respectively.

#### 5. FEE AND COMMISSION INCOME

	2018	2017
Income from securities brokerage and investment advisory business	2,854,753	3,522,133
Income from asset management business	1,470,656	1,653,745
Income from underwriting and sponsorship business	921,550	970,294
Income from futures brokerage business	268,490	305,596
Income from financial advisory business	242,416	241,126
Others	25,603	22,022
Total	5,783,468	6,714,916

#### 6. INTEREST INCOME

	2018	2017
Interest income arising from		
- Margin financing and securities lending	2,557,472	2,216,168
- Securities-backed lending and stock repurchases	1,234,948	761,982
- Deposits in financial institutions	1,230,251	1,767,357
- Debt instruments at fair value through other comprehensive income	720,996	-
- Financial assets measured at amortized cost	434,519	-
- Finance leases	257,747	216,560
- Financial assets held under resale agreements	28,851	25,932
- Others	124,249	140,884
Total	6,589,033	5,128,883

EVERBRIGHT SECURITIES COMPANY LIMITED  
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7. NET INVESTMENT GAINS

	2018	2017
Net realised gains from disposal of available-for-sale financial assets	-	1,012,509
Dividend income and interest income from available-for-sale financial assets	-	904,090
Net realised losses from disposal of financial instruments at fair value through profit or loss	(2,111,317)	(563,381)
Dividend income and interest income from financial instruments at fair value through profit or loss	1,916,633	1,463,103
Dividend income from equity instruments at fair value through other comprehensive income	383,034	-
Net realised gains from disposal of debt instruments at fair value through other comprehensive income	290,244	-
Net realised gains from disposal of financial assets measured at amortized cost	4,308	-
Net realised gains/(losses) from disposal of derivative financial instruments	551,209	(165,982)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(187,349)	(172,928)
Unrealised fair value changes of derivative financial instruments	(42,999)	17,228
Total	803,763	2,494,639

8. OTHER INCOME AND GAINS

	2018	2017
Government grants	221,620	357,318
Rental income	11,457	14,278
Income from agent business	47,996	95,329
Income from advisory business	2,010	13,635
Exchange losses	(19,059)	(110,127)
Others	42,296	52,364
Total	306,320	422,797

9. FEE AND COMMISSION EXPENSES

	2018	2017
Expenses arising from		
- Securities brokerage and advisory business	743,062	996,558
- Underwriting and sponsorship business	104,970	72,415
- Futures brokerage business	21,132	1,745
- Asset management business	2,994	20,579
Total	872,158	1,091,297

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10. INTEREST EXPENSES

	2018	2017
Interest expenses for		
Debt financing expenses		
- Long-term bonds	2,863,011	1,830,314
- Placements from other financial institutions	143,091	140,912
- Loans and borrowings	457,774	441,343
- Short-term debt instruments	202,651	244,504
Subtotal	3,666,527	2,657,073
- Financial assets sold under repurchase agreements	852,561	748,048
- Other structured entities' holders	239,307	287,967
- Accounts payable to brokerage clients	86,466	116,092
- Others	27,046	74,203
Total	4,871,907	3,883,383

11. STAFF COSTS

	2018	2017
Salaries, bonuses and allowances	2,507,327	2,727,248
Contributions to pension schemes	247,399	212,400
Other social welfare	291,304	261,585
Total	3,046,030	3,201,233

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

12. DEPRECIATION AND AMORTIZATION EXPENSES

	2018	2017
Depreciation of property and equipment	123,341	128,525
Amortisation of other intangible assets	208,199	230,450
Amortisation of leasehold improvements and long-term deferred expenses	48,402	40,847
Total	379,942	399,822

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13. OTHER OPERATING EXPENSES

	2018	2017
Rental expenses and utilities	421,920	377,960
IT expenses	247,907	235,285
Fund and asset management plan distribution and custodian expenses	237,930	290,842
Promotion and entertainment expenses	171,471	166,861
Business travel expenses	153,630	142,240
Labour outsourcing expenses	85,265	72,801
Postal and communication expenses	82,037	87,818
Stock exchanges management fees	59,692	57,481
Securities/futures investor protection funds	48,411	52,440
Consulting and professional services	30,626	28,319
Auditors' remuneration	24,312	9,191
Compensation and penalties	137	1,971
Loan arrangement services	-	16,803
Others	175,023	129,162
Total	1,738,361	1,669,174

14. PROVISION FOR CONTINGENT LIABILITIES

(a) Provision

	31 December 2018	31 December 2017
Provision	1,400,000	-

(b) Provision for contingent liabilities

	2018	2017
At the beginning of the year	-	-
Provision for the year	1,400,000	-
At the end of the year	1,400,000	-

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



(All amounts expressed in RMB thousand unless otherwise specified)

14. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

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

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

Based on an assessment of the current situation and considering the professional advices provided by the attorneys engaged, the Company is of the view that there may be irregularities over the issuance of the "Letter of Makeup of Shortfall" and thus uncertainty when determining ensuing obligations; as such, the specific eventual responsibility will need to be ascertained through legal proceedings or other necessary procedures. Based on the above circumstances, the Group made a provision for contingent losses amounting to RMB1.4 billion as of 31 December 2018 and for the year then ended, which amounted to approximately 40% of the claims from the senior tranche limited partners, in accordance with relevant provisions of the "IAS 37 Provisions, Contingent Liabilities and Contingent Assets".

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

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

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

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15. PROVISION FOR IMPAIRMENT LOSSES

	2018	2017
Reversal of impairment losses against accounts receivable and other non-current assets	-	(4,915)
Provision for impairment losses against other receivables	-	26,439
Provision for impairment losses against accounts receivable of finance lease	-	24,379
Provision for impairment losses against factoring receivables	-	11,972
Provision for impairment losses against margin accounts receivable	-	176,589
Provision for impairment of goodwill	-	216,818
Provision for impairment losses against interests in associates and joint ventures	103,662	-
Total	103,662	451,282

16. CREDIT LOSS EXPENSE

	2018	2017
Provision for impairment losses against financial assets held under resale agreements	397,849	-
Provision for impairment losses against financial assets measured at amortized cost	123,083	-
Provision for impairment losses against debt instruments at fair value through other comprehensive income	69,613	-
Provision for impairment losses against accounts receivable and other non-current assets	49,055	-
Provision for impairment losses against other receivables	21,975	-
Provision for impairment losses against margin accounts receivable	18,527	-
Provision for impairment losses against finance lease receivables	5,884	-
Reversal of impairment losses against factoring receivables	(7,194)	-
Total	678,792	-

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17. INCOME TAX EXPENSE

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

	2018	2017
Current tax		
- Mainland China income tax	552,512	996,781
- Hong Kong profits tax	38,948	65,305
	591,460	1,062,086
Adjustment in respect of prior years		
- PRC income tax	10,903	(137,327)
Deferred tax		
Origination and reversal of temporary differences	(540,769)	25,899
Total	61,594	950,658

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

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

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

	2018	2017
Profit before income tax	305,441	4,077,657
Notional tax calculated using PRC statutory tax rate	76,360	1,019,414
Tax effect of non-deductible expenses	50,308	67,758
Tax effect of non-taxable income	(114,444)	(168,947)
Effect of losses and different tax rates of subsidiaries	(2,585)	19,712
Recognition of deductible temporary differences previously not recognised	(4,696)	122,822
Adjustment for prior years	10,903	(137,327)
Utilisation of tax losses previously not recognized	(1,255)	-
Tax effect of unrecognised temporary differences and unused tax loss	35,241	19,815
Others	11,762	7,411
Total	61,594	950,658

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18. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office during the reporting period is as follows:

Name	2018				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pensions schemes	Discretionary bonuses	
<b>Directors</b>					
Xue Feng	-	2,742	-	-	2,742
Yan Jun <sup>(1)(2)</sup>	-	-	-	-	-
Ju Hao <sup>(1)(3)</sup>	-	-	-	-	-
Song Binfang <sup>(1)(4)</sup>	-	-	-	-	-
Yin Lianchen <sup>(1)</sup>	-	-	-	-	-
Chan Ming Kin <sup>(1)</sup>	-	-	-	-	-
Xue Keqing <sup>(1)(5)</sup>	-	-	-	-	-
<b>Independent directors</b>					
Xu Jingchang	121	-	-	-	121
Xiong Yan	121	-	-	-	121
Li Zheping	121	-	-	-	121
Au Sing Kun	121	-	-	-	121
Wang Yong <sup>(6)</sup>	20	-	-	-	20
<b>Supervisors</b>					
Liu Jiping	-	1,809	-	-	1,809
Zhang Jingcai <sup>(1)(7)</sup>	-	-	-	-	-
Wang Hongyang <sup>(1)(8)</sup>	-	-	-	-	-
Zhu Wuxiang	83	-	-	-	83
Sun Wenqiu <sup>(1)(9)</sup>	21	-	-	-	21
Wang Wenyi	-	910	-	-	910
Huang Qin	-	1,103	-	-	1,103
Li Xianzhi <sup>(10)</sup>	-	1,237	-	-	1,237
<b>Total</b>	<b>608</b>	<b>7,801</b>	<b>-</b>	<b>-</b>	<b>8,409</b>

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18. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Name	2017				Total
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pensions schemes	Discretionary bonuses	
Directors					
Gao Yunlong <sup>(1)(11)</sup>	-	-	-	-	-
Ge Haijiao <sup>(1)(12)</sup>	-	-	-	-	-
Xue Feng	-	2,619	127	600	3,346
Ju Hao <sup>(1)(3)</sup>	-	-	-	-	-
Yin Lianchen <sup>(1)</sup>	-	-	-	-	-
Chan Ming Kin <sup>(1)</sup>	-	-	-	-	-
Xue Keping <sup>(1)(5)</sup>	-	-	-	-	-
Yang Guoping <sup>(1)(13)</sup>	-	-	-	-	-
Independent directors					
Xu Jingchang	125	-	-	-	125
Xiong Yan	125	-	-	-	125
Li Zheping	125	-	-	-	125
Au Sing Kun	125	-	-	-	125
Zhu Ning <sup>(14)</sup>	-	-	-	-	-
Supervisors					
Liu Jiping	-	1,688	125	600	2,413
Zhang Jingcai <sup>(1)(7)</sup>	-	-	-	-	-
Wang Hongyang <sup>(1)(8)</sup>	-	-	-	-	-
Zhu Wuxiang	83	-	-	-	83
Zhang Limin <sup>(15)</sup>	83	-	-	-	83
Wang Wenyi	-	737	118	1,900	2,755
Huang Qin	-	920	223	1,406	2,549
Nie Tingming <sup>(1)(16)</sup>	-	-	-	-	-
Li Bingtao <sup>(17)</sup>	-	-	-	-	-
Li Xianzhi <sup>(10)</sup>	-	775	253	1,425	2,453
Total	666	6,739	846	5,931	14,182

<sup>(1)</sup>The remuneration of these directors and supervisors of the Company was borne by its shareholders and other related parties including China Everbright Group Ltd. and China Everbright Limited. No allocation of the remuneration between these related parties and the Group has been made during the reporting period.

<sup>(2)</sup> Appointed as director on 9 August 2018.

<sup>(3)</sup> Appointed as director on 17 October 2017.

<sup>(4)</sup> Appointed as director on 13 August 2018.

<sup>(5)</sup> Appointed as director on 9 November 2017.

<sup>(6)</sup> Appointed as independent director on 1 November 2018.

<sup>(7)</sup> Appointed as supervisor on 17 October 2017.

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18. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

<sup>(8)</sup> Appointed as supervisor on 17 October 2017.

<sup>(9)</sup> Appointed as supervisor on 30 September 2018.

<sup>(10)</sup> Appointed as supervisor on 17 October 2017.

<sup>(11)</sup> Resigned as director on 4 April 2018.

<sup>(12)</sup> Resigned as director on 21 June 2018.

<sup>(13)</sup> Expiration as director on 15 September 2017.

<sup>(14)</sup> Expiration as independent director on 15 September 2017.

<sup>(15)</sup> Resigned as supervisor on 22 June 2018.

<sup>(16)</sup> Resigned as supervisor on 27 March 2017.

<sup>(17)</sup> Resigned as supervisor on 16 January 2017.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or as an inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the reporting period.

19. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in note 18. The aggregate of the emoluments is as follows:

	2018	2017
Salaries and allowances	7,642	5,750
Discretionary bonuses	76,027	71,946
Employer's contribution to pension schemes	303	259
Total	83,972	77,955

(All amounts expressed in RMB thousand unless otherwise specified)

19. INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments with the highest emoluments are within the following bands:

	2018	2017
	Number of individuals	Number of individuals
HKD Nil to HKD 1,000,000	-	-
HKD 1,000,001 to HKD 1,500,000	-	-
HKD 1,500,001 to HKD 2,000,000	-	-
HKD 2,000,001 to HKD 2,500,000	-	-
HKD 2,500,001 to HKD 3,000,000	-	-
HKD 3,000,001 to HKD 3,500,000	-	-
HKD 3,500,001 to HKD 4,000,000	-	-
HKD 4,000,001 to HKD 4,500,000	-	-
HKD 4,500,001 to HKD 5,000,000	-	-
HKD 5,000,001 to HKD 5,500,000	-	-
HKD 5,500,001 to HKD 6,000,000	-	-
HKD 6,000,001 to HKD 6,500,000	-	-
HKD 6,500,001 to HKD 7,000,000	-	-
HKD 7,000,001 to HKD 7,500,000	-	-
More than HKD 10,000,000	5	5

No emoluments are paid or payable to these individuals as benefits for retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

20. BASIC AND DILUTED EARNINGS PER SHARE

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

	2018	2017
Profit attributable to shareholders of the Company	103,323	3,016,470
Weighted average number of ordinary shares in issue (in thousand) (a)	4,610,788	4,610,788
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)	0.0224	0.6542

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

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

	2018	2017
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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21. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2017	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	914,993	24,460	558,799	305,555	667	1,804,474
Additions	-	2,378	53,300	28,464	15,236	99,378
Transfers during the year	-	-	103	155	(1,419)	(1,161)
Disposals and others	-	(1,769)	(13,692)	(11,234)	-	(26,695)
As at 31 December 2018	<u>914,993</u>	<u>25,069</u>	<u>598,510</u>	<u>322,940</u>	<u>14,484</u>	<u>1,875,996</u>
Accumulated depreciation						
As at 1 January 2017	(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	(270,036)	(20,506)	(447,216)	(236,437)	-	(974,195)
Charge for the year	(23,746)	(1,703)	(75,117)	(22,775)	-	(123,341)
Disposals and others	-	1,769	8,938	10,876	-	21,583
As at 31 December 2018	<u>(293,782)</u>	<u>(20,440)</u>	<u>(513,395)</u>	<u>(248,336)</u>	<u>-</u>	<u>(1,075,953)</u>
Carrying amount						
As at 31 December 2018	<u>621,211</u>	<u>4,629</u>	<u>85,115</u>	<u>74,604</u>	<u>14,484</u>	<u>800,043</u>
As at 31 December 2017	<u>644,957</u>	<u>3,954</u>	<u>111,583</u>	<u>69,118</u>	<u>667</u>	<u>830,279</u>

As at 31 December 2018 and 2017, included in buildings, there is a carrying amount of RMB1,343 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 thousand unless otherwise specified)

22. GOODWILL

	31 December 2018	31 December 2017
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	155,897	79,992
Less: Provision for impairment losses	(383,212)	(383,212)
Effect of exchange rate changes for impairment provision	(19,840)	(1,306)
Carrying amount	<u>1,257,046</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:

	31 December 2018	31 December 2017
Futures brokerage	9,380	9,380
Wealth management, investment banking and brokerage	<u>1,650,718</u>	<u>1,574,813</u>
Total	<u>1,660,098</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 transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

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

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

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

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22. 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 pre-tax discount rate of 19.16% (2017: 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. Such estimation is based on the CGU's past performance and management's expectations for the market development.

23. OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
Cost			
As at 1 January 2017	924,444	604,561	1,529,005
Additions	-	65,242	65,242
Disposals	(60,924)	(18,112)	(79,036)
As at 31 December 2017	863,520	651,691	1,515,211
Additions	-	90,514	90,514
Disposals and others	(3,650)	(2,003)	(5,653)
As at 31 December 2018	859,870	740,202	1,600,072
Accumulated amortisation			
As at 1 January 2017	(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	(431,046)	(526,462)	(957,508)
Charge for the year	(141,709)	(66,490)	(208,199)
Disposals and others	-	1,849	1,849
As at 31 December 2018	(572,755)	(591,103)	(1,163,858)
Carrying amount			
As at 31 December 2018	287,115	149,099	436,214
As at 31 December 2017	432,474	125,229	557,703

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24. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Everbright Futures Co., Ltd.* <sup>(1)</sup> 光大期貨有限公司	PRC 8 April 1993	RMB 1,500,000,000	100%	100%	Futures brokerage	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Pramerica Fund Management Co., Ltd.* <sup>(1)</sup> 光大保德信基金管理有限公司	PRC 22 April 2004	RMB 160,000,000	55%	55%	Fund management	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Capital Investment Co., Ltd.* <sup>(1)</sup> 光大資本投資有限公司	PRC 7 November 2008	RMB 4,000,000,000	100%	100%	Direct investment	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Securities Financial Holdings Limited <sup>(1)</sup>	Hong Kong 19 November 2010	HKD 2,765,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Shanghai Everbright Securities Assets Management Co., Ltd.* <sup>(1)</sup> 上海光大證券資產管理有限公司	PRC 21 February 2012	RMB 200,000,000	100%	100%	Asset management	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Fortune Investment Co., Ltd.* <sup>(1)</sup> 光大富尊投資有限公司	PRC 26 September 2012	RMB 2,000,000,000	100%	100%	Alternative investment	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Securities (International) Limited	British Virgin Islands 14 July 1992	HKD 1,000	100%	100%	Investment holding	N/A	N/A
Everbright Photon Investment Management Co., Ltd.* 光大光子投資管理有限公司	PRC 26 June 2014	RMB 120,000,000	100%	100%	Risk management service	EY PRC PRC GAAP	EY PRC PRC GAAP
Everbright Development Investment Co., Ltd. * <sup>(1)</sup> 光大發展投資有限公司	PRC 12 June 2017	RMB 500,000,000	100%	100%	Direct investment	EY PRC PRC GAAP	EY PRC PRC GAAP

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Everbright Financial Investment Limited	Hong Kong 14 August 2014	HKD 650,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
China Everbright Securities (HK) Limited <sup>(3)</sup>	Hong Kong 4 January 1991	HKD 1,000,000,000	100%	100%	Securities brokerage and margin financing	EY HKFRS	EY HKFRS
China Everbright Research Limited <sup>(3)</sup>	Hong Kong 30 July 1992	HKD 5,500,000	100%	100%	Investment research	EY HKFRS	EY HKFRS
China Everbright Forex & Futures (HK) Limited <sup>(3)</sup>	Hong Kong 19 August 1993	HKD 200,000,000	100%	100%	Futures brokerage and leveraged foreign exchange	EY HKFRS	EY HKFRS
China Everbright Securities International Limited <sup>(3)</sup>	Hong Kong 4 January 1994	HKD 5,000,000	100%	100%	Investment holding and provision of management services	EY HKFRS	EY HKFRS
China Everbright Capital Limited <sup>(3)</sup>	Hong Kong 4 January 1994	HKD 50,000,000	100%	100%	Corporate finance advisory	EY HKFRS	EY HKFRS
Luxfull Limited <sup>(3)</sup>	British Virgin Islands 7 March 1997	USD1	100%	100%	Investment holding	N/A	N/A

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Timbo Investment Limited <sup>(3)</sup>	British Virgin Islands 8 April 1997	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Wealth Management Limited <sup>(3)</sup>	Hong Kong 6 December 2002	HKD 500,000	100%	100%	Wealth management	EY	EY
China Everbright Bullion Investment Limited <sup>(3)</sup>	Hong Kong 20 August 2004	HKD1,000	100%	100%	Bullion trading services	HKFRS	HKFRS
Bolson Limited <sup>(3)</sup>	Hong Kong 2 November 2007	HKD10,000	100%	100%	Holding of motor vehicle and license	EY	EY
Shenzhen Baoyoudi Technology Co., Ltd.* <sup>(3)</sup>	PRC 18 January 2008	HKD 8,000,000	100%	100%	Inactive	HKFRS	HKFRS
深圳寶又迪科技有限公司						Peng sheng PRC GAAP	Peng sheng PRC GAAP
Majestic Luck Limited <sup>(3)</sup>	British Virgin Islands 6 September 2011	USD1	100%	100%	Investment holding	N/A	N/A
Everbright Fortune (Shenzhen) Financial Services Co., Ltd.* <sup>(3)</sup>	PRC 23 September 2011	HKD 30,000,000	100%	100%	Advisory services	Bozhong PRC GAAP	Bozhong PRC GAAP
陽光富尊(深圳)金融服務諮詢有限公司						EY	EY
China Everbright Securities Asset Management Limited <sup>(3)</sup>	Hong Kong 23 September 2011	HKD 10,000,000	100%	100%	Asset management	HKFRS	HKFRS

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
China Everbright Fortune Immigration Services Limited <sup>(3)</sup>	Hong Kong 9 December 2011	HKD1,000	100%	100%	Immigration services	EY HKFRS	EY HKFRS
Ever Rapid Limited <sup>(3)</sup>	British Virgin Islands 18 April 2012	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Securities Finance Limited <sup>(3)</sup>	Hong Kong 23 May 2012	HKD 1,000,000	100%	100%	Money lending	EY HKFRS	EY HKFRS
China Everbright Fortune Investment Limited <sup>(3)</sup>	Hong Kong 4 July 2013	HKD1,000	100%	100%	Investment	EY HKFRS	EY HKFRS
China Everbright Property Agency Limited <sup>(3)</sup>	Hong Kong 7 October 2013	HKD1,000	100%	100%	Property agency	EY HKFRS	EY HKFRS
Sun Hung Kai Financial Group Limited	British Virgin Islands 14 September 2010	USD 301,217,140	70%	70%	Investment holding	EY HKFRS	EY HKFRS
Everbright Fortune International Leasing Co., Ltd.*	PRC	RMB				EY PRC	EY PRC
光大幸福國際租賃有限公司	29 September 2014	1,000,000,000	85%	85%	Finance lease	PRC GAAP	PRC GAAP
Everbright Sun Hung Kai Company Limited (formerly known as “Sun Hung Kai Financial Limited”) <sup>(4)</sup>	Hong Kong 27 February 1973	HKD 157,748,221	100%	100%	Investment holding	EY HKFRS	EY HKFRS

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
	British Virgin Islands					EY	EY
Dynamic Force Investments Limited <sup>(4)</sup>	8 January 2004	USD1	100%	100%	Investment holding	HKFRS	HKFRS
	Hong Kong					EY	EY
Lexshan Nominees Limited <sup>(3)</sup>	11 August 1978	HKD2	100%	100%	Nominee services	HKFRS	HKFRS
	Cayman Islands					EY	EY
SHK Absolute Return Managers Ltd. <sup>(4)</sup>	15 April 2005	USD10	100%	100%	Investment holding	HKFRS	HKFRS
	Cayman Islands					EY	EY
SHK Alpha Managers Ltd. <sup>(4)</sup>	14 February 2007	USD10	100%	100%	Fund management	HKFRS	HKFRS
	Cayman Islands					EY	EY
SHK Alternative Managers Limited <sup>(4)</sup>	11 January 2006	USD1	100%	100%	Fund management	HKFRS	HKFRS
	Cayman Islands					EY	EY
SHK Dynamic Managers Ltd. <sup>(4)</sup>	30 March 2006	USD10	100%	100%	Fund management	HKFRS	HKFRS
					Fund marketing		
	Hong Kong	HKD			investment advising	EY	EY
SHK Fund Management Limited <sup>(4)</sup>	20 January 1989	106,000,000	100%	100%	and fund management	HKFRS	HKFRS
	British Virgin Islands					EY	EY
SHK Global Managers Limited <sup>(4)</sup>	23 April 2002	USD5,000	100%	100%	Fund management	IFRS	IFRS
	Cayman Islands					EY	EY
SHK Income Fund Manager <sup>(4)</sup>	23 October 2008	USD100	100%	100%	Investment holding	HKFRS	HKFRS

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
SHK Online (Securities) Limited <sup>(4)</sup>	Hong Kong 23 December 1975	HKD 40,000,000	100%	100%	Online securities broking and margin financing	EY HKFRS	EY HKFRS
SHK Arbitrage Opportunities Limited <sup>(4)</sup>	Hong Kong 2 May 1975	HKD 20,000,000	100%	100%	Securities, futures and option trading	EY HKFRS	EY HKFRS
SHK Private Equity Managers Ltd. <sup>(4)</sup>	Cayman Islands 14 February 2007	USD10	-	-	Funds management and investment holding	N/A	N/A
SHK Private Limited <sup>(4)</sup>	Hong Kong 11 July 1975	HKD100,000	100%	100%	Business marketing and promotion	EY HKFRS	EY HKFRS
SHK Quant Managers Ltd. <sup>(4)</sup>	Cayman Islands 15 April 2005	USD10	100%	100%	Funds management	EY HKFRS	EY HKFRS
EBSHK Risk Solutions Limited (formerly known as "SHK Solutions Limited") <sup>(4)</sup>	Hong Kong 6 March 2000	HKD2	100%	100%	Inactive	EY HKFRS	EY HKFRS
Shun Loong Forex Company Limited <sup>(4)</sup>	Hong Kong 6 July 1973	HKD 32,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
Shun Loong Futures Limited <sup>(4)</sup>	Hong Kong 16 August 1977	HKD 15,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS



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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Shun Loong Holdings Limited <sup>(4)</sup>	Hong Kong 1 August 1980	HKD 200,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Shun Loong Securities Company Limited <sup>(4)</sup>	Hong Kong 4 May 1995	HKD 50,000,000	-	-	Inactive	N/A	N/A
Sun Hung Bullion Company Limited <sup>(4)</sup>	Hong Kong 24 November 1992	HKD5,500,000	100%	100%	Bullion trading	EY HKFRS	EY HKFRS
Sun Hung Kai (Nominees) Limited <sup>(4)</sup>	Hong Kong 18 April 1972	HKD200	100%	100%	Nominee services	EY HKFRS	EY HKFRS
Sun Hung Kai Bullion Company Limited <sup>(4)</sup>	Hong Kong 12 September 1972	HKD 210,000,000	100%	100%	Bullion trading and investment holding	EY HKFRS	EY HKFRS
Sun Hung Kai Commodities Limited <sup>(4)</sup>	Hong Kong 4 August 1976	HKD 133,300,000	100%	100%	Commodities broking	EY HKFRS	EY HKFRS
Sun Hung Kai Insurance Consultants Limited <sup>(4)</sup>	Hong Kong 5 July 1988	HKD 21,000,000	100%	100%	Insurance broking and consultancy services	EY HKFRS	EY HKFRS
Sun Hung Kai International Commodities Limited <sup>(4)</sup>	Hong Kong 24 March 1972	HKD 25,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
Sun Hung Kai International Limited <sup>(4)</sup>	Hong Kong 3 May 1974	HKD 22,000,000	100%	100%	Corporate finance services	EY HKFRS	EY HKFRS
Sun Hung Kai Investment Services (Macau) Limited <sup>(4)</sup>	Macau 5 February 1991	MOP 48,900,000	100%	100%	Inactive	EY Macau FRS	EY Macau FRS

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Sun Hung Kai Investment Services Limited <sup>(4)</sup>	Hong Kong 4 August 1972	HKD 2,430,000,000	100%	100%	Investment holding securities broking and margin financing	EY HKFRS	EY HKFRS
Everbright Sun Hung Kai Structured Solutions Limited <sup>(4)</sup>	Hong Kong 21 March 1980	HKD2	100%	100%	Inactive	EY HKFRS	EY HKFRS
Sun Hung Kai Wealth Management Limited <sup>(4)</sup>	Hong Kong 21 December 1990	HKD5,000,000	100%	100%	Investment advisory services, financial planning and wealth management	EY HKFRS	EY HKFRS
Sun Tai Cheung Finance Company Limited <sup>(4)</sup>	Hong Kong 24 December 1976	HKD 25,000,000	100%	100%	Financial services	EY HKFRS	EY HKFRS
Sun Yi Company Limited <sup>(4)</sup>	Hong Kong 19 November 1982	HKD 15,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
Sun Hung Kai (Shanghai) Investment Consultancy Limited <sup>*(7)</sup>	PRC 24 December 2009	HKD 22,300,000	-	100%	Investment advisory and consultancy	N/A	Fangyuan PRC GAAP
新鴻基(上海)投資顧問有限公司						EY	EY
Sun Hung Kai Insurance Agency Limited <sup>(4)</sup>	Hong Kong 30 October 2014	HKD2,000,001	100%	100%	Insurance agency	HKFRS	HKFRS
SWAT Management S.A.R.L. <sup>(4) (5)</sup>	Luxembourg 8 May 2013	EUR12,500	-	100%	Fund management	N/A	N/A
Sun Hung Kai Financial Australia Pty Ltd. <sup>(4)</sup>	Australia 18 January 2010	AUD1,268,446	100%	100%	Investment advisory services	Deloitte Australia FRS	Deloitte Australia FRS

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Shun Loong Bullion Limited 順隆金業有限公司 <sup>(4)</sup>	Hong Kong 7 September 1995	HKD6,000,000	100%	100%	Investment holding	EY HKFRS	EY HKFRS
Shun Loong Finance Limited 順隆財務有限公司 <sup>(4)</sup>	Hong Kong 7 September 1995	HKD1,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
Grand Securities Company Limited 大唐證券有限公司 <sup>(4)</sup>	Hong Kong 20 January 1993	HKD 20,000,000	100%	100%	Inactive	EY HKFRS	EY HKFRS
Double Charm Limited 倍昌有限公司	British Virgin Islands 8 January 2015	USD1	100%	100%	Inactive	N/A	N/A
Planup Limited 圖升有限公司	British Virgin Islands 12 January 2015	USD1	100%	100%	Inactive	N/A	N/A
High Harvest Investments Limited 崇豐投資有限公司	British Virgin Islands 21 May 2015	USD1	100%	100%	Investment holding	N/A	N/A
China Everbright Securities Special Opportunities Assets Limited(formerly known as "China Everbright Sun Hung Kai Financial Company Limited") 中國光大證券特殊機會資產有限公司	Hong Kong 23 June 2015	HKD1	100%	100%	Inactive	N/A	EY HKFRS
Everbright Jinhui Investment Management (Shanghai) Co., Ltd.* 光大浸輝投資管理(上海)有限公司	PRC 4 May 2015	RMB2,050,000	100%	100%	Investment management	N/A	Deloitte PRC PRC GAAP
Everbright Pramerica Assets Management Co., Ltd.* <sup>(6)</sup> 光大保德信資產管理有限公司	PRC 27 August 2015	RMB 50,000,000	100%	100%	Asset management	EY PRC PRC GAAP	EY PRC PRC GAAP

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
Everbright Fortune Evertop Investment Management (Shanghai) Co., Ltd.* 光大富尊泰鋒投資管理(上海)有限公司	PRC 19 November 2015	RMB 3,000,000	85%	85%	Investment management	EY PRC PRC GAAP	EY PRC PRC GAAP
China Everbright Securities International Structured Finance Company Limited 中國光大證券國際結構融資有限公司	Hong Kong 11 April 2016	HKD 10,000,000	100%	100%	Structured finance	EY HKFRS	EY HKFRS
Everbright Capital Return Company Limited 光大資本回報有限公司	Cayman Islands 20 October 2016	USD1	100%	100%	Inactive	N/A	N/A
Everbright Capital Investment Management (Cayman) Limited 光大資本投資管理(開曼)有限公司	Cayman Islands 20 October 2016	USD1	100%	100%	Fund Management	N/A	N/A
China Everbright Securities Value Fund SPC 中國光大證券價值基金獨立投資組合公司	Cayman Islands 20 October 2016	USD1	100%	100%	Fund management	N/A	N/A
Everbright Fortune International Commercial Factoring Co., Ltd. 光大幸福國際商業保理有限公司	PRC 3 May 2017	RMB 200,000,000	100%	100%	Trade financing	EY PRC PRC GAAP	EY PRC PRC GAAP
China Everbright Securities B&R Fund GP Limited 中國光大證券B&R基金普通合夥人有限公司	Cayman Islands 21 June 2017	USD1	100%	100%	Inactive	N/A	N/A
Everbright Securities Fund Management Limited 光大證券基金管理有限公司	Cayman Islands 28 March 2017	USD1	100%	100%	Fund management	N/A	N/A

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24. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held as at 31 December		Principal activities	Auditor <sup>(2)</sup> and GAAP	
			2018	2017		2018	2017
EBS Investment Limited (formerly known as "EAS Corporate Secretarial Services Limited")	Hong Kong 6 November 2017	HKD1	100%	100%	Company secretary services	N/A	N/A
Sun Hung Kai Financial (UK) Limited (formerly known as "North Square Blue Oak Limited") <sup>(4)</sup>	UK 16 December 2009	GBP 1,852,282	100%	100%	Brokerage and research services	Kingston Smith LLP UK GAAP	Kingston Smith LLP UK GAAP
Beijing Blue Oak RuiJing Investment Consulting Co., Ltd. <sup>(4)</sup> 北方藍橡瑞景投資諮詢（北京）有限公司	PRC 2 September 2011	RMB 55,000	100%	100%	Advisory	Beijing Zhong Sheng Jia Hua PRC GAAP	Beijing Zhong Sheng Jia Hua PRC GAAP
Everbright SHK (BVI) Limited <sup>(4)</sup>	British Virgin Islands 23 May 2018	USD1	100%	-	Financing	N/A	N/A
Everbright Strategic Select Fund SPC <sup>(3)</sup> 光大策略精選基金獨立投資組合公司	Cayman Islands 20 June 2018	USD50,000	100%	-	Fund management	N/A	N/A
China Everbright Securities International Principal Investment Company Limited <sup>(3)</sup> 中國光大證券國際直接投資有限公司	Hong Kong 13 December 2017	HKD 10,000,000	100%	-	Investment holding	EY HKFRS	N/A
CEBI Principal Investment Company Limited <sup>(3)</sup>	British Virgin Islands 18 January 2018	USD1	100%	-	Investment holding	N/A	N/A
Guanghang No.1 Leasing Co., Ltd. 光航一號（天津）租賃有限公司	PRC 25 January 2018	RMB100,000	100%	-	Finance lease	N/A	N/A
Guanghang No.2 Leasing Co., Ltd. 光航二號（天津）租賃有限公司	PRC 22 January 2018	RMB100,000	100%	-	Finance lease	N/A	N/A
Horizon Asset Management Co., Ltd. <sup>(3)</sup>	Cayman Islands 5 June 2018	USD 50,000	100%	100%	Inactive	N/A	N/A

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

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24. INVESTMENTS IN SUBSIDIARIES (continued)

The Group acted as principal of several structured entities during the reporting period, according to relevant accounting policies of the Group, and details of these structured entities are included in the financial statements. More detailed information of consolidated structured entities is disclosed in note 25.

<sup>(1)</sup> These subsidiaries are directly held by the Company.

<sup>(2)</sup> Auditors of the respective subsidiaries of the Group are as follows:

- EY PRC represents Ernst & Young Hua Ming LLP, a firm of certified public accountants registered in the PRC;
- EY represents Ernst & Young Hong Kong, a firm of certified public accountants registered in Hong Kong;
- Bozhong represents Shenzhen Bozhong Certified Public Accountants, a firm of certified public accountants registered in the PRC;
- Pengsheng represents Shenzhen Pengsheng Certified Public Accountants, a firm of certified public accountants registered in the PRC;
- Fangyuan represents Fangyuan Certified Public Accountants, a firm of certified public accountants registered in the PRC;
- Deloitte Australia represents Deloitte in Australia, a firm of certified public accountants registered in Australia;
- PRC GAAP represents the PRC Accounting Standards for Business Enterprises; and
- HKFRS represents Hong Kong Financial Reporting Standards.

<sup>(3)</sup> The equity interest in the subsidiary represents the equity interest held directly or indirectly by Everbright Securities (International) Limited.

<sup>(4)</sup> The equity interest in the subsidiary represents the equity interest held directly or indirectly by Sun Hung Kai Financial Group Limited.

<sup>(5)</sup> The subsidiary was disposed of in 2018.

<sup>(6)</sup> The equity interest in the subsidiary represents the equity interest held directly or indirectly by Everbright Pramerica Fund Management Co., Ltd..

<sup>(7)</sup> The subsidiary was dissolved in 2018.

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24. INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the information related to major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Everbright Pramerica Fund Management Co., Ltd.

	31 December 2018	31 December 2017
NCI percentage	45%	45%
Assets	1,179,715	1,143,058
Liabilities	156,065	(293,534)
Net assets	1,023,650	849,524
Carrying amount of NCI	460,643	382,286
	2018	2017
Revenue	631,390	630,515
Profit for the year	174,126	157,181
Other comprehensive income	-	4,405
Total comprehensive income	174,126	161,586
Total comprehensive income attributable to NCI	78,357	72,714
Dividend paid to NCI	-	-
Cash flows from operating activities	165,762	68,714
Cash flows used in investing activities	(31,457)	(192,187)
Cash flows used in financing activities	(105,855)	120,782

Sun Hung Kai Financial Group Limited

	31 December 2018	31 December 2017
NCI percentage	30%	30%
Assets	19,943,764	19,279,322
Liabilities	(16,898,437)	(16,310,554)
Net assets	3,045,327	2,968,768
Carrying amount of NCI	913,598	890,630
	2018	2017
Revenue	1,192,405	1,166,886
Profit for the year	169,733	102,499
Other comprehensive income	128,516	10,197
Total comprehensive income	298,249	112,696
Total comprehensive income attributable to NCI	89,475	33,809
Dividend paid to NCI	(61,959)	(16,861)
Cash flows from/(used in) operating activities	162,674	(3,109,695)
Cash flows (used in)/ from investing activities	(9,478)	243,079
Cash flows from financing activities	208,240	3,758,897

(All amounts expressed in RMB thousand unless otherwise specified)

## 25. INTERESTS IN STRUCTURED ENTITIES

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

The Group has consolidated certain structured entities, mainly investments in wealth management products. For those structured entities where the Group is involved as manager or as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that is of such significance that it indicates that the Group is a principal.

As at 31 December 2018 and 2017, the net assets of the consolidated wealth management products were RMB18,976,797 thousand and RMB10,371,035 thousand respectively, and the carrying amounts of interests held by the Group in the consolidated structured entities were RMB12,865,948 thousand and RMB4,438,729 thousand respectively.

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

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

### (b) Structured entities sponsored by third party institutions 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 statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at the end of the reporting period, and their respective carrying amounts are listed below:

	As at 31 December 2018			
	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	-	-	12,752,328	12,752,328
Wealth management products	-	4,278,226	14,431,640	18,709,866
Total	-	4,278,226	27,183,968	31,462,194

	As at 31 December 2017			
	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



(All amounts expressed in RMB thousand unless otherwise specified)

25. INTERESTS IN STRUCTURED ENTITIES (continued)

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

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

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

	As at 31 December 2018			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	-	-	228,770	228,770
Wealth management products	-	-	1,524,791	1,524,791
Total	-	-	1,753,561	1,753,561

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

As at 31 December 2018 and 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 RMB357,340,598 thousand and RMB301,066,876 thousand respectively.

During the years ended 31 December 2018 and 2017, the Group recognised the income from wealth management business of RMB1,470,656 thousand and RMB1,653,745 thousand respectively. As at 31 December 2018 and 2017, the corresponding remuneration receivables totalled RMB139,231 thousand and RMB135,022 thousand respectively.

26. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2018	31 December 2017
Share of net assets	1,096,310	1,229,774

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2018	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%	Funds management
Everbright Yunfu Internet Co., Ltd.* 光大雲付互聯網股份有限公司	Shanghai	RMB 200,000,000	40%	40%	Financial data processing
Everbright Eascreate Internet Co., Ltd.* 光大易創網路科技股份有限公司	Shanghai	RMB 100,000,000	40%	40%	Financial data processing
Everbright Ivy Investment Management (Shanghai) Co., Ltd.* <sup>(1)</sup> 光大常春藤投資管理(上海)有限公司	Shanghai	RMB 10,000,000	51%	51%	Investment management
Everbright LeadBank Assets Management (Shanghai) Co., Ltd.* <sup>(1)</sup> 光大利得資產管理(上海)有限公司	Shanghai	RMB 2,000,000	95%	51%	Investment management
Everbright Ivy (Shanghai) Investment Center (limited partnership)* 光大常春藤(上海)投資中心(有限合夥)	Shanghai	RMB 185,000,000	27.03%	27.03%	Funds management
Shanghai Everbright Sports & Culture Equity Fund (Limited Partnership)* 上海光大體育文化投資合夥企業(有限合夥)	Shanghai	RMB 201,922,000	24.76%	24.76%	Funds 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%	Funds management

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2018	31 December 2017	
Jiaxing Everbright BoPu Investment LLP (Limited Partnership)* <sup>(3)</sup>		RMB			
嘉興光大磚璞投資合夥企業(有限合夥)	Jiaxing	100,000,000	24.90%	24.90%	Investment management
EBS Fund Management Co., Ltd.* <sup>(1)</sup>		RMB			
上海光大光證股權投資基金管理有限公司	Shanghai	20,000,000	75.50%	-	Investment management
Jiaxing Everbright Meiyin Investment Management Co., Ltd.* <sup>(1)</sup>		RMB			
嘉興光大美銀投資管理有限公司	Jiaxing	2,000,000	51%	51%	Investment management
Jiaxing Everbright Meiyin No. 1 Investment LLP* <sup>(3)</sup>		RMB			
嘉興光大美銀壹號投資合夥企業	Jiaxing	500,000,000	25%	25%	Investment management
Shenzhen Qianhai Tunlan Investment Co., Ltd.* <sup>(1)</sup>		RMB			
深圳前海光大瞰瀾投資管理有限公司	Shenzhen	5,000,000	51%	51%	Investment management
Hangzhou Everbright Tunlan Investment LLP*		RMB			
杭州光大瞰瀾投資合夥企業(有限合夥)	Hangzhou	200,000,000	47.17%	47.17%	Investment management
Beijing Wenzhi Guangda Cultural and Creative Industries Investment Management Co., Ltd.* <sup>(1)</sup>		RMB			
北京文資光大文創產業投資管理有限公司	Beijing	5,000,000	66%	51%	Investment management
Shanghai Everbright Fortune Jingsheng Investment Center (Limited Partnership)* <sup>(2)</sup>		RMB			
上海光大富尊璟晟投資中心(有限合夥)	Shanghai	63,700,000	16.80%	16.89%	Investment management
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership)* <sup>(2)</sup>		RMB			
上海光大富尊璟闌投資中心(有限合夥)	Shanghai	52,350,000	0.19%	0.19%	Investment management
CRECG & EB Private Equity Fund Management (Shanghai) Co. Limited*		RMB			
中鐵光大股權投資基金管理(上海)有限公司	Shanghai	50,000,000	30%	50%	Investment management

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2018	31 December 2017	
Xinglu Dingtai Big Data Equity Investment Fund L.P. 星路鼎泰(桐鄉)大資料產業股權投資基金合夥企業(有限合夥)	Jiaxing	RMB 200,000,000	28.52%	32%	Investment management
Beijing Everbright Wudaokou Investment Fund Management Co., Ltd <sup>(1)</sup> 北京光大五道口投資基金管理有限公司	Beijing	RMB 10,000,000	51%	51%	Investment management
Shanghai JinXin Investment Consultancy LLP (Limited Partnership) <sup>(2) (3) (4)</sup> 上海浸鑫投資諮詢合夥企業(有限合夥)	Shanghai	RMB 5,203,000,000	1.15%	1.15%	Funds management
Beijing BCID-EBS Cultural & Innovation No.2 Investment Fund (Limited Partnership) <sup>(1)</sup> 北京文資光大文創貳號投資基金管理中心(有限合夥)	Beijing	RMB 97,550,000	99.90%	99.90%	Funds management
Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd <sup>(1)</sup> 景甯余族自治縣光大生態經濟產業基金管理有限公司	Lishui	RMB 5,000,000	51%	51%	Investment management
Jingning-Everbright ECO Investment Fund L.P.* <sup>(2)</sup> 景甯光大生態壹號投資管理中心(有限合夥)	Lishui	RMB 55,500,000	9.01%	9.01%	Funds management
Jingning Everbright Zhetong No.1 Investment Fund L.P.* <sup>(2)</sup> 景甯光大浙通壹號投資管理合夥企業(有限合夥)	Lishui	RMB 65,600,000	15.24%	15.24%	Funds management

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activities
			31 December 2018	31 December 2017	
Gansu Duzhe Everbright Fund Management Co., Ltd. * <sup>(1)</sup>		RMB			
甘肅讀者光大基金管理有限公司	Lanzhou	5,000,000	51%	51%	Funds management
Rizhao Rui Xiang Flight Training Co., Ltd.		RMB			
日照銳翔飛行培訓有限公司	Rizhao	46,000,000	39.13%	39.13%	Flight training
Tianjin Everbright Zhongli Investment Management Co., Ltd.		RMB			
天津光證中麗投資管理有限公司	Tianjin	20,000,000	30%	30%	Investment management
Hangzhou Jingxing Investment L.P.		RMB			
杭州璟星投資合夥企業（有限合夥）	Hangzhou	10,000,000	40%	40%	Investment management
Jiaxing Zizhuo Private Equity Investment Fund L.P. * <sup>(2) (3)</sup>		RMB			
嘉興資卓股權投資基金合夥企業（有限合夥）	Jiaxing	2,400,000,000	12.49%	-	Funds management
Gansu Reader Everbright Emerging Industry M&A Fund <sup>(2)</sup>					
甘肅讀者光大新興產業並購基金（有限合夥）	Lanzhou	500,000,000	19.87%	-	Funds management
Beijing Everbright 360 Investment Management Center <sup>(2)</sup>		RMB			
北京光大三六零投資管理中心（有限合夥）	Beijing	680,800,000	0.07%	-	Investment management
Renqiu Jiyin Equity Investment Fund <sup>(2)</sup>		RMB			
任丘市冀銀股權投資基金合夥企業	Renqiu	480,000,000	0.03%	-	Investment management
Hohhot Haotian Construction Co., Ltd. <sup>(2)</sup>		RMB			
呼和浩特市昕天環建設有限公司	Hohhot	100,000,000	19%	-	Investment management
Gui'an Everbright Securities Investment Management Co., Ltd.		RMB			
貴安新區光證投資管理有限公司	Guian	10,000,000	30%	-	Investment management

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

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

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

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

(3) At 31 December 2018, the Group's shareholding of these investees has been restricted by the judicial department. Please refer to notes 14(b) for details.

(4) The investment in JinXin Fund has expired on 25 February 2019. Please refer to notes 14(b) for details.

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

Dacheng Fund Management Co., Ltd.

	31 December 2018	31 December 2017
Gross amounts of the associate:		
Assets	3,295,234	3,035,967
Liabilities	(1,047,494)	(902,655)
Net assets	<u>2,247,740</u>	<u>2,133,312</u>
	2018	2017
Revenue	1,009,674	1,011,099
Profit for the year	231,692	223,485
Other comprehensive income	5,936	(8,177)
Total comprehensive income	237,628	215,308
Dividend received from the associate	<u>32,000</u>	<u>-</u>
	31 December 2018	31 December 2017
Reconciled to the Group's interest in the associate:		
Net assets	2,247,740	2,133,312
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	561,935	533,328
Other adjustment	<u>(3,905)</u>	<u>(2,705)</u>
Carrying amount in the consolidated financial statements	<u>558,030</u>	<u>530,623</u>

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Everbright Yunfu Internet Co., Ltd.

	31 December 2018	31 December 2017
Gross amounts of the associate:		
Assets	612,061	2,850,882
Liabilities	(919,595)	(2,634,803)
Net assets	(307,534)	216,079
	2018	2017
Revenue	455,164	453,994
(Loss)/Profit for the year	(523,638)	14,700
Other comprehensive income	-	-
Total comprehensive income	(523,638)	14,700
Dividend received from the associate	-	-
	31 December 2018	31 December 2017
Reconciled to the Group's interest in the associate:		
Total equity attributable to shareholders of the Company	(307,534)	216,079
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	(123,014)	86,431
Other adjustment	123,014	34
Carrying amount in the consolidated financial statements	-	86,465

The Group has no legal or constructive obligations to the losses exceeding the investments in Everbright Yunfu Internet Co., Ltd. and the Group's interest in Everbright Yunfu is reduced to nil and recognition of further losses is discontinued. The share of profit for the year and the accumulated share of profit of the Group amounted to RMB86,465 thousand (2017: RMB5,917 thousand) and RMB80,000 thousand (2017: RMB6,465 thousand), respectively.

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26. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Everbright Eascreate Internet Co., Ltd.

	31 December 2018	31 December 2017
Gross amounts of the associate:		
Assets	130,609	230,094
Liabilities	(35,282)	(117,042)
Net assets	95,327	113,052
	2018	2017
Revenue	16,194	115,135
Profit/(Loss) for the year	(17,725)	10,740
Other comprehensive income	-	-
Total comprehensive income	(17,725)	10,740
Dividend received from the associate	-	-
	31 December 2018	31 December 2017
Reconciled to the Group's interest in the associate:		
Net assets	95,327	113,052
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	38,131	45,221
Other adjustment	(38,131)	7
Carrying amount in the consolidated financial statements	-	45,228

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

	2018	2017
Aggregate amounts of the Group's share of those associates and joint ventures' net profits	13,250	7,631
Other comprehensive income	-	5,598
Total comprehensive income	13,250	13,229
	31 December 2018	31 December 2017
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	538,280	567,827



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27. HELD-TO-MATURITY INVESTMENTS

	31 December 2018	31 December 2017
Listed outside Hong Kong:		
- Debt securities	-	378,885

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2018	31 December 2017
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 inside Hong Kong	-	477,365
Unlisted	-	8,921,527
Total	-	10,435,863
Current		
Equity securities	-	1,776,033
Debt securities	-	24,990,252
Fund	-	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 include funds contributed by the Company, together with various other 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 a total of RMB5,856.8 million in July and September 2015. Risk and income arising from the investment shall be shared by all securities firms according to the proportions of their respective contributions. The investment is under unified operation and management by CSFC (see note 30 for further details).

(All amounts expressed in RMB thousand unless otherwise specified)

28. 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 respectively, 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 were 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, are 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 are determined with reference to their quoted prices as at the end of the reporting period.

29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018	31 December 2017
Non-current		
Debt securities	7,945,473	-
Total	7,945,473	-
Analysed as:		
Listed outside Hong Kong	635,397	-
Unlisted	7,310,076	-
Total	7,945,473	-
Current		
Debt securities	453,406	-
Total	453,406	-
Analysed as:		
Listed outside Hong Kong	14,546	-
Unlisted	438,860	-
Total	453,406	-

As at 31 December 2018, the debt instruments at fair value through other comprehensive income which were pledged as collateral were RMB1,595,345 thousand.

(All amounts expressed in RMB thousand unless otherwise specified)

29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME  
(continued)

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

	2018	2017
At the end of last year	-	-
Impact of adopting IFRS 9	27,838	-
Charge for the year	69,613	-
Amounts written off	(12,701)	-
At the end of the year	<u>84,750</u>	<u>-</u>

(b) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the ending balance of the carrying amount of debt instruments at fair value through other comprehensive income is as follows:

	Stage 1	Stage 2	Stage 3	Total
Fair value as at 31 December 2018	<u>7,511,881</u>	<u>812,564</u>	<u>74,434</u>	<u>8,398,879</u>

30. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018	31 December 2017
Non-current		
Equity securities	569,789	-
Contribution to designated accounts at China Securities Finance Corporation Limited	<u>4,278,226</u>	<u>-</u>
Total	<u>4,848,015</u>	<u>-</u>
Analysed as:		
Unlisted	<u>4,848,015</u>	<u>-</u>
Total	<u>4,848,015</u>	<u>-</u>

As at 31 December 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 CSFC. Before the adoption of IFRS 9, the funds contributed to CSFC was classified as available-for-sale financial assets as disclosed in note 28. 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 31 December 2018, the cost and fair value of the Company's contribution were RMB4,380.0 million and RMB4,278.2 million based on the investment account statement provided by CSFC.

As at 31 December 2018, there were no equity securities in the equity investments at fair value through other comprehensive income with lock-up periods held by the Group.

In the opinion of the directors of the Company, 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.

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31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

	31 December 2018	31 December 2017
Non-current		
Equity securities	3,574,474	5,530,800
Less: Allowance for ECL/impairment losses	(20,196)	-
Total	<u>3,554,278</u>	<u>5,530,800</u>
Current		
Debt securities	13,156,490	1,450,895
Equity securities	17,404,931	13,099,349
Less: Allowance for ECL/impairment losses	(406,911)	-
Total	<u>30,154,510</u>	<u>14,550,244</u>

(b) Analysed by market:

	31 December 2018	31 December 2017
Non-current		
Shenzhen Stock Exchange	2,268,152	3,273,390
Shanghai Stock Exchange	1,306,322	2,257,410
Less: Allowance for ECL/impairment losses	(20,196)	-
Total	<u>3,554,278</u>	<u>5,530,800</u>
Current		
Inter-bank market	2,051,715	1,109,694
Shenzhen Stock Exchange	12,744,889	11,495,400
Shanghai Stock Exchange	15,764,817	1,945,150
Less: Allowance for ECL/impairment losses	(406,911)	-
Total	<u>30,154,510</u>	<u>14,550,244</u>

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

	2018	2017
At the end of last year	-	-
Impact of adopting IFRS 9	29,258	-
Charge for the year	<u>397,849</u>	-
At the end of the year	<u>427,107</u>	-

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31. 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 31 December 2018, an analysis of the ending balance of the carrying amount of financial assets held under resale agreements is as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 31 December 2018	<u>28,871,826</u>	<u>3,492,275</u>	<u>1,344,687</u>	<u>33,708,788</u>

32. REFUNDABLE DEPOSITS

	31 December 2018	31 December 2017
Deposits with stock exchanges and clearing house		
- China Securities Depository and Clearing Corporation Limited	339,645	476,355
- The Stock Exchange of Hong Kong Limited	3,200	19,210
- Hong Kong Securities Clearing Company Limited	10,488	2,543
	<u>353,333</u>	<u>498,108</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	653,016	1,034,567
- Dalian Commodity Exchange	522,405	839,667
- Shanghai Futures Exchange	562,646	672,272
- Zhengzhou Commodity Exchange	453,171	494,366
- Shanghai International Energy Exchange	67,952	-
- Hong Kong Futures Exchange	7,886	7,978
	<u>2,267,076</u>	<u>3,048,850</u>
Deposits with other institutions		
- CSFC	477,915	76,555
- Shanghai Clearing House	69,807	67,426
- Securities and Futures Commission of Hong Kong	-	1,672
- Shanghai Gold Exchange	2,820	2,820
- Other institutions	15,857	17,585
	<u>566,399</u>	<u>166,058</u>
Total	<u>3,186,808</u>	<u>3,713,016</u>

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33. INCOME TAX

(a) Current taxation

	31 December 2018	31 December 2017
Current tax liabilities	<u>403,306</u>	<u>800,644</u>
	2018	2017
At the beginning of the year	800,644	603,214
Provision for the year	602,363	924,759
Additions through the sale of equity instruments at fair value through other comprehensive income	(521)	-
Tax paid	<u>(999,180)</u>	<u>(727,329)</u>
At the end of the year	<u>403,306</u>	<u>800,644</u>

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33. 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	Changes in fair value of available-for- sale financial assets	Financial assets at fair value through other comprehensive income	Intangible assets recognised on acquisition	Others	Total
As at 1 January 2017	131,038	330,850	(24,393)	13,529	(162,004)	-	(91,254)	41,278	239,044
Recognized in profit or loss	(30,229)	(128,907)	103,663	(20,184)	-	-	29,716	20,042	(25,899)
Recognized in reserves	-	-	-	-	242,077	-	-	-	242,077
As at 31 December 2017	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
Recognized in profit or loss	485,118	(49,292)	99,148	10,750	-	-	19,150	(24,105)	540,769
Recognized in reserve	(14,258)	-	-	-	-	180,722	-	-	166,464
As at 31 December 2018	<u>590,758</u>	<u>152,651</u>	<u>343,041</u>	<u>4,095</u>	<u>-</u>	<u>48,240</u>	<u>(42,388)</u>	<u>37,215</u>	<u>1,133,612</u>

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33. INCOME TAX (continued)

(c) Reconciliation to the statement of financial position

	31 December 2018	31 December 2017
Net deferred tax assets recognised in the consolidated statement of financial position	1,235,048	503,160
Net deferred tax liabilities recognised in the consolidated statement of financial position	(101,436)	(47,938)
Total	1,133,612	455,222

(d) Recognised in other comprehensive income

	2018		
	Before tax	Tax benefit	Net of tax
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	301,997	(75,363)	226,634
- Provision for ECL allowance	56,912	(14,258)	42,654
- Reclassified to profit or loss	(274,534)	68,634	(205,900)
Equity instruments at fair value through other comprehensive income			
- Revaluation losses on equity instruments at fair value through other comprehensive income	(751,888)	187,972	(563,916)
Share of other comprehensive income of associates	1,484	-	1,484
Exchange differences on translation of financial statements in foreign currencies	71,595	-	71,595
Total	(594,434)	166,985	(427,449)
	2017		
	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	(1,064,757)	242,077	(822,680)

(e) Deferred tax assets not recognised

As at 31 December 2018 and 2017, the Group has not recognised deferred tax assets in respect of cumulative tax losses, provision for bad debts and impairment losses against margin and financial assets measured at amortized cost with timing difference amounting to RMB609,150 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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34. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	31 December 2018	31 December 2017
Minimum lease payments to be received	5,916,342	6,351,228
Less: unrealised finance income	(522,737)	(587,005)
Balance of finance lease receivables	5,393,605	5,764,223
Less: allowance for ECL/impairment losses	(96,775)	(94,379)
Finance lease receivables, net	5,296,830	5,669,844
Analysis for presentation purposes:		
Current assets	1,934,578	577,613
Non-current assets	3,362,252	5,092,231
	5,296,830	5,669,844

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

	As at 31 December 2018		As at 31 December 2017	
	Minimum leases	Present value	Minimum leases	Present value
Within 1 year	2,223,666	1,969,985	604,400	582,990
1–2 years	1,881,360	1,729,656	705,846	641,450
2–3 years	1,241,031	1,164,971	1,964,080	1,814,887
Over 3 years	570,285	528,993	3,076,902	2,724,896
Total	5,916,342	5,393,605	6,351,228	5,764,223
Unrealised finance income	(522,737)	-	(587,005)	-
Balance of finance lease receivables	5,393,605	5,393,605	5,764,223	5,764,223
Allowance for ECL/impairment losses	(96,775)	(96,775)	(94,379)	(94,379)
Finance lease receivables, net	5,296,830	5,296,830	5,669,844	5,669,844

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

	2018	2017
At the beginning of the year	94,379	70,000
Impact of adopting IFRS 9	-	-
Charge for the year	33,007	24,379
Reversal of impairment	(27,123)	-
Amounts written off	(3,488)	-
At the end of the year	96,775	94,379

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34. FINANCE LEASE RECEIVABLES (continued)

(c) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the ending balance of the carrying amount of finance lease receivables is as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 31 December 2018	<u>4,957,807</u>	<u>339,023</u>	<u>-</u>	<u>5,296,830</u>

35. OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	31 December 2018	31 December 2017
Long-term deferred expenses <sup>(1)</sup>	92,109	101,817
Investments classified as receivables	-	317,542
Deposits	32,712	35,431
Other receivables	108,798	124,215
Less: Allowance for ECL/impairment losses	<u>(80,390)</u>	<u>(80,390)</u>
Total	<u>153,229</u>	<u>498,615</u>

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

	2018	2017
At the end of last year	80,390	54,415
Impact of adopting IFRS 9	-	-
Charge for the year	-	26,486
Others	<u>-</u>	<u>(511)</u>
At the end of the year	<u>80,390</u>	<u>80,390</u>

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

	2018	2017
Balance at the beginning of the year	101,817	100,689
Additions	37,533	38,329
Transfer in from property and equipment	1,161	3,646
Amortisation	<u>(48,402)</u>	<u>(40,847)</u>
Balance at the end of the year	<u>92,109</u>	<u>101,817</u>

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36. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	31 December 2018	31 December 2017
Accounts receivable of		
- Brokers and dealers	2,040,380	1,718,021
- Settlement	864,309	890,056
- Fees and commissions	316,840	386,145
- Investees	21,735	101,735
- Others	16,903	17,416
Less: Allowance for ECL/impairment losses	(49,055)	-
Total	3,211,112	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:

	31 December 2018	31 December 2017
Within 1 year	3,187,624	3,109,427
1-2 years	23,132	3,182
2-3 years	280	764
Over 3 years	76	-
Total	3,211,112	3,113,373

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

	2018	2017
At the end of last year	-	10,989
Impact of adopting IFRS 9	-	-
Charge for the year	49,055	(4,915)
Others	-	(6,074)
At the end of the year	49,055	-

(d) Accounts receivable that were not impaired

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

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37. OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	31 December 2018	31 December 2017
Other receivables <sup>(1)</sup>	1,553,655	1,521,980
Factoring receivables	613,587	596,206
Dividend receivables	159,544	101,065
Interest receivable	108,037	1,866,299
Prepayments <sup>(1)</sup>	2,402	5,265
Others	187,250	179,458
Less: Allowance for ECL/impairment losses	(28,126)	(92,460)
Total	2,596,349	4,177,813

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

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

	2018	2017
At the beginning of the year	92,460	55,250
Impact of adopting IFRS 9	1,277	-
Charge for the year	26,785	40,101
Reversal of impairment	(12,004)	(1,689)
Others	(80,392)	(1,202)
At the end of the year	28,126	92,460

38. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	31 December 2018	31 December 2017
Individuals	23,945,830	32,791,895
Institutions	6,650,957	5,180,146
Less: Allowance for ECL/impairment losses	(258,859)	(263,684)
Total	30,337,928	37,708,357

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38. MARGIN ACCOUNTS RECEIVABLE (continued)

(b) Analysis of the movements of credit loss expense/provision for impairment losses:

	2018	2017
At the beginning of the year	263,685	137,648
Impact of adopting IFRS 9	41,057	-
Charge for the year	23,653	177,027
Reversal of impairment	(5,126)	(438)
Amounts written off	(70,724)	(39,558)
Others	6,314	(10,995)
At the end of the year	258,859	263,684

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

	31 December 2018	31 December 2017
Fair value of collateral:		
- Equity securities	87,245,315	109,929,095
- Cash	2,776,941	2,978,135
- Funds	1,499,328	1,954,675
- Debt securities	5,119,029	5,296,450
- Others	365	-
Total	96,640,978	120,158,355

(d) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the ending balance of the carrying amount of margin accounts receivable is as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 31 December 2018	29,623,790	554,682	159,456	30,337,928

39. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	31 December 2018	31 December 2017
Non-current		
Debt securities	7,638,034	-
Less: Allowance for ECL	(32,023)	-
Total	7,606,011	-
Analysed as:		
Listed outside Hong Kong	227,209	-
Unlisted	7,378,802	-
Total	7,606,011	-

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39. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (continued)

	31 December 2018	31 December 2017
Current		
Debt securities	403,274	-
Less: Allowance for ECL	(106,404)	-
Total	296,870	-
Analysed as:		
Listed outside Hong Kong	133,803	-
Unlisted	163,067	-
Total	296,870	-

As at 31 December 2018, the financial assets measured at amortized cost which were pledged as collateral were RMB2,909,326 thousand.

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

	2018	2017
At the end of last year	-	-
Impact of adopting IFRS 9	12,334	-
Charge for the year	123,083	-
Amounts written off	(704)	-
Others	3,714	-
At the end of the year	138,427	-

(b) Analysed by stages of ECL:

The Group has adopted IFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the ending balance of the carrying amount of financial assets measured at amortized cost is as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 31 December 2018	7,121,962	620,282	160,637	7,902,881

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40. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

	31 December 2018	31 December 2017
Held for trading:		
- Debt securities	24,232,448	19,160,757
- Equity securities	3,654,842	2,700,224
- Funds	11,999,703	10,048,991
- Wealth management products	13,895,148	2,303,954
- Others	3,867,197	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	57,649,338	37,446,511

(b) Analysed as:

	31 December 2018	31 December 2017
Held for trading:		
- Listed outside Hong Kong	4,614,775	3,456,213
- Listed inside Hong Kong	168,129	61,907
- Unlisted	52,866,434	30,703,269
Designated at fair value through profit or loss:		
- Unlisted	-	3,225,122
Total	57,649,338	37,446,511

As at 31 December 2018 and 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 RMB394,686 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 38(c) together with the fair value of collateral of margin financing business.

As at 31 December 2018 and 2017, there were no fund investments with lock-up periods included in the financial assets at fair value through profit or loss.

As at 31 December 2018, the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group were RMB126,837 thousand. As at 31 December 2017, there were no equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group.

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41. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional amount	31 December 2018	
		Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	24,520,000	-	(7,370)
- Treasury bond futures	578,443	-	(10,171)
Equity derivatives			
- Stock index futures	56,611	980	-
- Equity return swaps	50,000	882	-
- Stock option	1,212	17	(5)
- OTC stock index options	7,041,283	25,821	(491,906)
- Embedded option instruments	472,720	-	(849)
Others			
- Commodity option	8,466	-	(65)
Total	<u>32,728,735</u>	<u>27,700</u>	<u>(510,366)</u>
Less: Cash (received)/paid as settlement		<u>(980)</u>	<u>17,542</u>
Net position		<u>26,720</u>	<u>(492,824)</u>
	Notional amount	31 December 2017	
		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>	<u>199,340</u>	<u>(200,254)</u>
Less: Cash (received)/paid as settlement		<u>(2,466)</u>	<u>43,974</u>
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".



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42. CLEARING SETTLEMENT FUNDS

	31 December 2018	31 December 2017
Deposits with		
- China Securities Depository and Clearing Corporation Limited	118,519	172,005
- Others	1,356,900	566,421
Total	1,475,419	738,426

43. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

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

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

44. CASH AND BANK BALANCES

	31 December 2018	31 December 2017
Cash on hand	128	398
Bank balances	8,927,409	9,758,499
Total	8,927,537	9,758,897

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

45. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	128	398
Bank balances	8,927,409	9,758,499
Clearing settlement funds	1,475,419	738,426
Bond investments with original maturity within 3 months	-	197,629
Less: restricted bank deposits	(4,607,336)	(4,536,886)
Less: interest receivable	(35,660)	-
Total	5,759,960	6,158,066

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45. CASH AND CASH EQUIVALENTS (continued)

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

46. LOANS AND BORROWINGS

Current

As at 31 December 2018

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

As at 31 December 2017

	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	4.13%	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 31 December 2018

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

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46. LOANS AND BORROWINGS (continued)

Non-current (continued)

As at 31 December 2017

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.38%	2020	3,709,690
Unsecured bank loans	RMB	4.28%-5.50%	2021	875,136
Secured bank loans	RMB	4.28%-6.41%	2021	741,280
Total				<u>5,326,106</u>

For the year ended 31 December 2018, the Group's cash flows arising from financing activities included proceeds from bank and other loans with the amount of RMB14,730,644 thousand and bank and other loans repaid with the amount of RMB12,223,067 thousand in the consolidated statement of cash flows (for the year ended 31 December 2017: RMB24,297,982 thousand and RMB20,285,090 thousand).

47. SHORT-TERM DEBT INSTRUMENTS

	Nominal interest rate	Book value as at 1 January 2018	Increase	Decrease	Book value as at 31 December 2018
Structured notes and short-term bonds	0.00%-7.00%	<u>18,491,732</u>	<u>25,990,564</u>	<u>(30,372,623)</u>	<u>14,109,673</u>

	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 year ended 31 December 2018, the Group issued 337 tranches of structured notes, and repaid 333 tranches of structured notes during the year. The balance bears interest at the fixed interest rate ranging from 0.00% to 7.00% per annum plus a floating rate, and is repayable within 1 year.

In 2017, the Group issued 311 tranches of structured notes, and repaid 210 tranches of structured notes during the year ended 31 December 2017. The balance bears interest at the fixed interest rate ranging from 4.35% to 7.00% per annum plus a floating rate, and was repayable within 1 year.

For the year ended 31 December 2018, the Group's cash flows arising from financing activities included proceeds from issuance of short-term debt instruments with the amount of RMB24,698,608 thousand and short-term debt instruments repaid with the amount of RMB29,460,493 thousand in the consolidated statement of cash flows (for the year ended 31 December 2017: RMB25,891,035 thousand and RMB13,329,005 thousand).

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48. PLACEMENT FROM OTHER FINANCIAL INSTITUTIONS

	Note	31 December 2018	31 December 2017
Placements from CSFC		2,001,315	-
Interbank lending	(1)	3,608,034	2,993,700
Total		<u>5,609,349</u>	<u>2,993,700</u>

<sup>(1)</sup> As at 31 December 2018, the interbank lending is unsecured and bears interest at the rate ranging from 0.60% to 4.35% per annum, with maturity ranging from 1 day to 362 days. As at 31 December 2017, the interbank lending was unsecured and bore interest at the rate ranging from 2.02% to 15.00% per annum, with maturity ranging from 5 days to 38 days.

49. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	31 December 2017
Held for trading		
- Debt securities	-	241,493
- Structured entities	287,616	-
Designated at fair value through profit or loss		
- Structured entities	-	215,448
Total	<u>287,616</u>	<u>456,941</u>

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

50. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	31 December 2018	31 December 2017
Clients' deposits for margin financing and securities lending	6,524,167	7,117,704
Clients' deposits for other brokerage business	29,441,730	33,942,639
Total	<u>35,965,897</u>	<u>41,060,343</u>

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

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities in 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.

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51. EMPLOYEE BENEFITS PAYABLE

Current	2018			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	1,973,567	2,507,327	(3,036,415)	1,444,479
Contribution to pension schemes	4,567	247,399	(247,031)	4,935
Other social welfare	52,919	291,304	(297,394)	46,829
Sub-total	<u>2,031,053</u>	<u>3,046,030</u>	<u>(3,580,840)</u>	<u>1,496,243</u>
Non-current	2018			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	2,051	-	(1,053)	998
Sub-total	<u>2,051</u>	<u>-</u>	<u>(1,053)</u>	<u>998</u>
Total	<u>2,033,104</u>	<u>3,046,030</u>	<u>(3,581,893)</u>	<u>1,497,241</u>
Current	2017			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	2,212,179	2,725,197	(2,963,809)	1,973,567
Contribution to pension schemes	5,505	212,400	(213,338)	4,567
Other social welfare	51,197	261,585	(259,863)	52,919
Sub-total	<u>2,268,881</u>	<u>3,199,182</u>	<u>(3,437,010)</u>	<u>2,031,053</u>
Non-current	2017			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowances	-	2,051	-	2,051
Sub-total	<u>-</u>	<u>2,051</u>	<u>-</u>	<u>2,051</u>
Total	<u>2,268,881</u>	<u>3,201,233</u>	<u>(3,437,010)</u>	<u>2,033,104</u>

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52. OTHER PAYABLES AND ACCRUALS

	31 December 2018	31 December 2017
Payables to interest holders of consolidated structured entities	5,678,032	5,695,767
Payables to interest holders of ABS	4,202,447	231,779
Settlement payables	411,821	534,898
Distribution expenses payable	212,190	272,665
Other tax payable	178,097	171,207
Risk reserve for futures brokerage business	97,220	87,114
Temporary receipts	78,053	46,952
Deposits for finance lease	59,577	-
Payable for derivative business	21,000	379,125
Accrued expenses	53,192	123,413
Commission payables	38,438	56,792
Payable on behalf of staff	36,930	40,644
Payable to the securities and futures investor protection fund	27,853	34,799
OTC option premium	19,456	253
Payable to custodian	19,075	27,770
Option prepayment	16,482	62,305
Interest payable	12,210	1,454,503
Payable for construction project	8,148	4,355
Account executive commission payable	5,628	8,647
Deferred revenue	4,132	39,269
Equity swap settlement	-	75,073
H share IPO expenses payable	-	22,443
Others <sup>(1)</sup>	256,353	128,697
Total	11,436,334	9,498,470

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

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53. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Current

	31 December 2018	31 December 2017
Debt securities	15,953,717	22,988,382
Margin loans receivable backed repurchase agreements	-	62,900
Others	102	264,213
Total	<u>15,953,819</u>	<u>23,315,495</u>

(b) Analysed by market:

Current

	31 December 2018	31 December 2017
Inter-bank market	14,785,492	18,499,313
Stock exchanges	1,168,327	2,022,481
OTC market	-	2,793,701
Total	<u>15,953,819</u>	<u>23,315,495</u>

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54. LONG-TERM BONDS

As at 31 December 2018

Name	Par value Original currency	Issue date	Maturity date	Issue Original currency	Coupon rate
16 EVERBRIGHT 06 <sup>(8)</sup>	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
17 EVERBRIGHT Xingfu PPN002 <sup>(10)</sup>	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT Xingfu PPN001 <sup>(11)</sup>	600,000	29/03/2017	28/03/2020	600,000	5.00%
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	16/10/2022	1,595,200	4.90%
18 EVERBRIGHT Xingfu PPN001 <sup>(22)</sup>	200,000	07/02/2018	06/02/2021	200,000	6.80%
18 EVERBRIGHT05 <sup>(23)</sup>	1,000,000	30/07/2018	29/07/2020	990,000	4.55%
18 EVERBRIGHT06 <sup>(24)</sup>	4,000,000	30/07/2018	29/07/2021	4,000,000	4.67%
18 EVERBRIGHTG3 <sup>(25)</sup>	2,800,000	26/09/2018	25/09/2021	2,794,960	4.30%
EBSHKBVI Corp <sup>(26)</sup>	USD200,000	21/11/2018	21/11/2021	USD200,000	5.25%
18 EVERBRIGHTC1 <sup>(27)</sup>	3,000,000	13/12/2018	12/12/2021	3,000,000	4.30%
Jinzhishu No.1062 Structured Notes <sup>(28)</sup>	2,000,000	21/12/2018	18/06/2020	2,000,000	4.00%
Dingfu No.204 Structured Notes <sup>(29)</sup>	200,000	25/12/2018	28/06/2020	200,000	4.00%
Jinzhishu No.1057 Structured Notes <sup>(30)</sup>	500,000	25/12/2018	25/03/2020	500,000	4.10%
18 EVERBRIGHT02 <sup>(31)</sup>	2,000,000	18/01/2018	17/01/2020	1,990,000	5.55%



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54. LONG-TERM BONDS (continued)

As at 31 December 2018

Name	Par value Original currency	Issue date	Maturity date	Issue Original currency	Coupon rate
18 EVERBRIGHTG1 <sup>(32)</sup>	2,700,000	18/04/2018	17/04/2020	2,686,500	4.68%
18 EVERBRIGHTG2 <sup>(33)</sup>	3,300,000	18/04/2018	17/04/2021	3,283,500	4.78%
Guangxin No.514 Structured Notes <sup>(34)</sup>	30,000	13/04/2018	16/04/2019	30,000	5.10%
Dingfu No.588 Structured Notes <sup>(35)</sup>	80	27/04/2018	10/05/2019	80	4.50%
18 EVERBRIGHT Xingfu SCP001 <sup>(36)</sup>	500,000	20/09/2018	17/06/2019	500,000	7.00%

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54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2018	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2018
15 EVERBRIGHT 01 <sup>(1)</sup>	3,999,364	234,000	636	(4,234,000)	-	-
15 EVERBRIGHT 04 <sup>(2)</sup>	5,997,956	342,000	2,044	(6,342,000)	-	-
EVBSF Corp <sup>(4)</sup>	2,934,615	-	-	(2,934,615)	-	-
16 EVERBRIGHT 05 <sup>(7)</sup>	999,493	31,300	507	(1,031,300)	-	-
16 EVERBRIGHT 06 <sup>(8)</sup>	2,997,750	114,095	1,250	(96,000)	-	3,017,095
Dingfu No.9 Structured Notes <sup>(9)</sup>	50,000	-	-	(50,000)	-	-
17 EVERBRIGHT Xingfu PPN002 <sup>(10)</sup>	199,674	18,322	259	(11,000)	-	207,255
17 EVERBRIGHT Xingfu PPN001 <sup>(11)</sup>	598,432	52,248	74	(30,000)	-	620,754
17 EVERBRIGHT02 <sup>(13)</sup>	1,997,493	82,000	2,507	(2,082,000)	-	-
17 EVERBRIGHT03 <sup>(14)</sup>	1,997,862	161,489	1,900	(86,000)	-	2,075,251
17 EVERBRIGHT04 <sup>(15)</sup>	1,995,962	167,122	1,900	(89,000)	-	2,075,984
17 EVERBRIGHT05 <sup>(16)</sup>	2,994,063	249,563	4,500	(148,500)	-	3,099,626
17 EVERBRIGHT06 <sup>(17)</sup>	3,990,722	336,592	4,000	(200,000)	-	4,131,314
17 EVERBRIGHTG1 <sup>(18)</sup>	2,987,151	204,192	5,000	(137,400)	-	3,058,943
17 EVERBRIGHTG2 <sup>(19)</sup>	1,493,145	104,771	1,500	(70,500)	-	1,528,916
17 EVERBRIGHTG3 <sup>(20)</sup>	4,088,549	237,800	4,100	(196,800)	-	4,133,649
17 EVERBRIGHTG4 <sup>(21)</sup>	1,595,399	94,733	960	(78,400)	-	1,612,692
18 EVERBRIGHT Xingfu PPN001 <sup>(22)</sup>	-	189,748	506	-	-	190,254
18 EVERBRIGHT05 <sup>(23)</sup>	-	1,009,085	2,250	-	-	1,011,335
18 EVERBRIGHT06 <sup>(24)</sup>	-	4,078,871	-	-	-	4,078,871
18 EVERBRIGHTG3 <sup>(25)</sup>	-	2,826,732	444	-	-	2,827,176

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54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2018	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2018
EBSHKBVI Corp <sup>(26)</sup>	-	1,370,727	8,801	(8,083)	1,667	1,373,112
18 EVERBRIGHTC1 <sup>(27)</sup>	-	3,006,589	-	-	-	3,006,589
Jinzhishu No.1062 Structured Notes <sup>(28)</sup>	-	2,002,192	-	-	-	2,002,192
Dingfu No.204 Structured Notes <sup>(29)</sup>	-	200,132	-	-	-	200,132
Jinzhishu No.1057 Structured Notes <sup>(30)</sup>	-	500,337	-	-	-	500,337
18 EVERBRIGHT02 <sup>(31)</sup>	-	2,095,450	4,758	-	-	2,100,208
18 EVERBRIGHTG1 <sup>(32)</sup>	-	2,774,952	4,725	-	-	2,779,677
18 EVERBRIGHTG2 <sup>(33)</sup>	-	3,393,918	3,850	-	-	3,397,768
Guangxin No.514 Structured Notes <sup>(34)</sup>	-	31,098	-	-	-	31,098
Dingfu No.588 Structured Notes <sup>(35)</sup>	-	82	-	-	-	82
18 EVERBRIGHT Xingfu SCP001 <sup>(36)</sup>	-	456,959	576	-	-	457,535
Total	40,917,630	26,367,099	57,046	(17,825,597)	1,667	49,517,845

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54. LONG-TERM BONDS (continued)

As at 31 December 2017

Name	Par value Original currency	Issue date	Maturity date	Issue Original currency	Coupon 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	USD446,191	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 PPN002 <sup>(10)</sup>	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT Xingfu PPN001 <sup>(11)</sup>	600,000	29/03/2017	28/03/2020	600,000	5.00%
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	1,999,063	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	16/10/2022	1,595,200	4.90%

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54. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2017	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2017
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 PPN002 <sup>(10)</sup>	-	199,280	394	-	-	199,674
17 EVERBRIGHT Xingfu PPN001 <sup>(11)</sup>	-	594,840	3,592	-	-	598,432
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

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54. LONG-TERM BONDS (continued)

	31 December 2018	31 December 2017
Long-term bonds due within one year	8,680,687	15,978,921
Long-term bonds due after one year	40,837,158	24,938,709
Total	49,517,845	40,917,630

For the year ended 31 December 2018, the Group's cash flows arising from financing activities included proceeds from issuance of long-term bonds with the amount of RMB29,218,251 thousand and long-term bonds repaid with the amount of RMB16,298,202 thousand in the consolidated statement of cash flows (for the year ended 31 December 2017: RMB25,914,520 thousand and RMB13,500,000 thousand).

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

- (1) 3-year subordinated bond amounting to RMB4 billion on 29 January 2015. 15 EVERBRIGHT 01 was repaid on 29 January 2018.
- (2) 5-year subordinated bond amounting to RMB6 billion on 27 April 2015 with an early redemption right on 27 April 2018. If the Group does not execute the redemption right, the coupon rate will increase by 300 basis points. 15 EVERBRIGHT 04 was early redeemed on 27 April 2018.
- (3) 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, 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. 16 EVERBRIGHT 05 was repaid on 24 October 2018.
- (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. Dingfu No.9 Structured notes was repaid on 9 September 2018.
- (10) 3- year corporate bond amounting to RMB200 million on 27 April 2017.
- (11) 3- year corporate bond amounting to RMB600 million on 29 March 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. 17 EVERBRIGHT 02 was repaid on 11 July 2018.

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54. LONG-TERM BONDS (continued)

- (14) 2-year corporate bond amounting to RMB2 billion on 14 February 2017. 17 EVERBRIGHT 03 was repaid on 14 February 2019.
- (15) 3-year corporate bond amounting to RMB2 billion on 14 February 2017.
- (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, issued 3-year corporate bond amounting to RMB200 million on 7 February 2018.
- (23) 2-year corporate bond amounting to RMB1 billion on 30 July 2018.
- (24) 3-year corporate bond amounting to RMB4 billion on 30 July 2018.
- (25) 3-year corporate bond amounting to RMB2.8 billion on 26 September 2018.
- (26) Everbright Securities Financial Holdings Limited, the Company's directly-owned subsidiary registered in Hong Kong, issued a 3-year redeemable bond with a par value of USD200 million on 21 November 2018.
- (27) 3-year corporate bond amounting to RMB3 billion on 13 December 2018.
- (28) 18-month structured notes amounting to RMB2 billion on 21 December 2018.
- (29) 18-month structured notes amounting to RMB200 million on 25 December 2018.
- (30) 15-month structured notes amounting to RMB500 million on 25 December 2018.
- (31) 2-year corporate bond amounting to RMB2 billion on 18 January 2018.
- (32) 2-year corporate bond amounting to RMB2.7 billion on 18 April 2018.
- (33) 3-year corporate bond amounting to RMB3.3 billion on 18 April 2018.
- (34) 1-year structured notes amounting to RMB30 million on 13 April 2018.
- (35) 1-year structured notes amounting to RMB0.08 million on 27 April 2018.
- (36) Everbright Fortune International Leasing Co., Ltd., the Company's subsidiary registered in Shanghai, issued a 9-month corporate bond amounting to RMB500 million on 20 September 2018.

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55. OTHER NON-CURRENT LIABILITIES

	31 December 2018	31 December 2017
Payables to interest holders of ABS	2,875,602	1,308,764
Put right liabilities arising from business combination <sup>(1)</sup>	2,010,879	1,850,705
Deposits for finance lease	284,579	333,785
Deferred revenue	65,943	63,141
Club membership and trading payable	16,482	15,724
Payables to interest holders of consolidated structured entities	-	21,091
Others	10,632	12,244
Total	5,264,117	3,605,454

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

56. SHARE CAPITAL

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

	31 December 2018	31 December 2017
Number of shares registered, issued and fully paid (at RMB1 per share)	4,610,788	4,610,788



(All amounts expressed in RMB thousand unless otherwise specified)

57. RESERVES AND RETAINED PROFITS

(a) Capital reserve

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

(b) Surplus reserve

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

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

(c) General reserve

General reserve includes the general risk reserve and transaction risk reserve.

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

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

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

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets, debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income until the assets are derecognised or impaired.

(e) Translation reserve

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

(f) Retained profits

As at 31 December 2018 and 2017, the consolidated retained profits attributable to the Company included an appropriation of RMB404 million and RMB359 million to the surplus reserve made by the subsidiaries respectively.

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57. RESERVES AND RETAINED PROFITS (continued)

(g) Other comprehensive income for the year in reserves, net of tax

	As at 31 December 2018				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Debt instruments at fair value through other comprehensive income					
-Net changes in fair value	226,634	-	226,634	-	226,634
-Provision for ECL allowance	42,654	-	42,654	-	42,654
-Reclassified to profit or loss	(205,900)	-	(205,900)	-	(205,900)
Equity instruments at fair value through other comprehensive income					
-Net changes in fair value	(563,916)	-	(563,916)	-	(563,916)
Share of other comprehensive income of associates	1,484	-	1,484	-	1,484
Exchange differences on translation of financial statements in foreign currencies	-	33,041	33,041	38,554	71,595
Total	(499,044)	33,041	(466,003)	38,554	(427,449)
As at 31 December 2017					
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Available-for-sale financial assets					
-Net changes in fair value	43,532	-	43,532	644	44,176
-Reclassified to profit or loss	(760,720)	-	(760,720)	1,338	(759,382)
Share of other comprehensive income of associates	3,554	-	3,554	-	3,554
Exchange differences on translation of financial statements in foreign currencies	-	(52,214)	(52,214)	(58,814)	(111,028)
Total	(713,634)	(52,214)	(765,848)	(56,832)	(822,680)

(All amounts expressed in RMB thousand unless otherwise specified)

## 58. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

### (a) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, they are recognised as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable and securities-backed lending under repurchase agreements. The Group retains the contractual rights to receive the cash flows of these financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients according to relevant agreements. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognised them. In addition, they are recognised as financial assets sold under repurchase agreements.

### (b) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised such assets.

	As at 31 December			
	2018		2017	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	611,297	(569,062)	13,386,703	(12,599,833)
Securities lending	394,686	-	526,026	-

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59. COMMITMENTS

(a) Capital commitments

	31 December 2018	31 December 2017
Contracted, but not provided for	207,561	326,922

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

(b) Operating lease commitments

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

	31 December 2018	31 December 2017
Within 1 year (inclusive)	330,622	258,819
1-2 years (inclusive)	217,973	211,513
2-3 years (inclusive)	102,746	143,503
After 3 years	279,817	68,231
	931,158	682,066

(All amounts expressed in RMB thousand unless otherwise specified)

## 60. CONTINGENCIES

As at 31 December 2018 and 2017, the contingent liabilities due to pending litigations amounted to RMB143,716 thousand and RMB42,415 thousand, respectively. Pending litigations are listed as follow:

- On 2 January 2019, Everbright Fortune received a prosecution notice whereby Ruifeng investment Co., Ltd.\* (銳豐投資有限公司) a company located in Ningbo Meishan bonded area (寧波梅山保稅港區) had filed a case with the Beijing Xicheng District People's Court against China Beijing Equity Exchange Co., Ltd. and Everbright Fortune over disputes concerning equity transfer. The claim is for RMB2.3824 million.
- On 11 January 2019, the Company received a notice to respond to a lawsuit. An individual filed a lawsuit with the Jing'an Court of Shanghai against the Company and Mr./Ms. Wu over the execution of certain transactions, with claims amounting to approximately RMB13.9 million. On 21 February 2019, the case was heard but judgement is pending.
- On 26 January 2016, the Company received a notice issued by the People's Court of Jing'an District of Shanghai in relation to a claim filed by a client against the Company for a compensation of RMB39.39 million together with the related litigation cost. It is alleged that the Company breached the agreement on delaying margin call of his margin financing and securities lending account, which resulted in further loss to him. On 30 November 2016, the People's Court of Jing'an District of Shanghai rejected the plaintiff's claim in its first instance judgment. The plaintiff was dissatisfied with the judgment and therefore filed an appeal to the Shanghai No. 2 Intermediate People's Court. On 28 April 2017, the Shanghai No. 2 Intermediate People's Court made a final judgment, rejecting the appeal and upholding the original judgment. In December 2017, the Company received the "Notice of Appearance for Retrial of Civil Cases" from the Higher People's Court of Shanghai, as the client filed a retrial application with the Higher People's Court of Shanghai as the plaintiff was dissatisfied with the first instance judgment and the second instance judgment. The Shanghai Jing'an Court has held its third hearing on 3 November 2018 with judgement still pending.
- On 26 December 2017, O:TU Investments Limited ( "O:TU" ) (as the plaintiff) filed an action 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" , 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 compensation of approximately RMB12.95 million from SIWE and Everbright Fortune. In January 2018, Everbright Fortune received a notice issued by the Shanghai No. 2 Intermediate People's Court; the hearing was held on 11 September 2018 but judgment is still pending.

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61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

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

	31 December 2018	31 December 2017
China Everbright Group Company	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 26.

(iii) Other related parties

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

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61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders:

	31 December 2018	31 December 2017
Balances at the end of the year:		
Accounts receivable	438	418
Other payables and accruals	264	252
	<u>2018</u>	<u>2017</u>
Transactions during the year:		
Fee and commission income	41,509	41,981
Fee and commission expense	-	116
Other operating expenses	-	102

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

	31 December 2018	31 December 2017
Balances at the end of the year:		
Cash and bank balances	7,058,160	4,510,971
Loans and borrowings	2,509,131	920,532
Financial assets at fair value through profit or loss	2,144,342	-
Other non-current liabilities	2,010,879	1,850,705
Other payables and accruals	193,850	154,395
Other receivables and prepayments	234,324	82,224
Available-for-sale financial assets	-	165,000
Margin accounts receivable	-	22,835
Accounts receivable	<u>1,876</u>	<u>7,365</u>

(All amounts expressed in RMB thousand unless otherwise specified)

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances (continued)

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

	2018	2017
Transactions during the year:		
Transaction amounts for financial assets sold under repurchase agreements	47,008,401	32,135,459
Loans borrowed	1,253,948	824,532
Interest income	246,015	206,042
Other operating expenses	124,308	140,601
Fee and commission income	91,927	95,607
Interest expenses	78,787	26,547
Fee and commission expenses	8,682	9,437
Net investment gains	373	806
Inter-bank funds borrowed	-	300,000
Other income and gains	12,537	14,610

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 18, is as follows:

	2018	2017
Short-term employee benefits and post-employment benefits	29,137	40,735

Total remuneration is included in "staff costs" (see note 11).

(d) Government related entities

Other than those disclosed above, the Group has also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions. None of them were individually significant. Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.



(All amounts expressed in RMB thousand unless otherwise specified)

## 62. SEGMENT REPORTING

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

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

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62. SEGMENT REPORTING (continued)

(a) Business segments

For the year ended 31 December 2018

	Brokerage and wealth management	Credit business	Institutional client services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	1,791,772	120,136	1,565,161	1,458,932	842,892	4,575	5,783,468
- Inter-segment	15,516	-	-	-	2,228	-	17,744
Interest income							
- External	638,917	3,639,533	1,160,490	286,410	611,567	252,116	6,589,033
- Inter-segment	-	-	2,085	24,062	-	176,534	202,681
Net investment gains/(losses)							
- External	31,303	(163,823)	(6,593)	370,736	163,944	408,196	803,763
- Inter-segment	-	-	-	(61)	-	(181)	(242)
Total revenue							
- External	2,461,992	3,595,846	2,719,058	2,116,078	1,618,403	664,887	13,176,264
- Inter-segment	15,516	-	2,085	24,001	2,228	176,353	220,183
Other income and gains							
- External	31,674	(9,066)	1,080	22,045	64,085	196,502	306,320
- Inter-segment	-	-	-	-	-	50	50
Segment revenue and other income							
- External	2,493,666	3,586,780	2,720,138	2,138,123	1,682,488	861,389	13,482,584
- Inter-segment	15,516	-	2,085	24,001	2,228	176,403	220,233
Segment expenses							
- External	(2,089,533)	(2,445,361)	(2,076,801)	(2,680,619)	(1,677,765)	(2,184,682)	(13,154,761)
- Inter-segment	(6,148)	(7,376)	(122)	(180,542)	-	(1,426,166)	(1,620,354)
Segment operating profit/(loss)							
- External	404,133	1,141,419	643,337	(542,496)	4,723	(1,323,293)	327,823
- Inter-segment	9,368	(7,376)	1,963	(156,541)	2,228	(1,249,763)	(1,400,121)
Share of profit of associates and joint ventures							
- External	-	(2,208)	-	(25,106)	4,932	-	(22,382)
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax							
- External	404,133	1,139,211	643,337	(567,602)	9,655	(1,323,293)	305,441
- Inter-segment	9,368	(7,376)	1,963	(156,541)	2,228	(1,249,763)	(1,400,121)
Interest income	638,917	3,639,533	1,160,490	286,410	611,567	252,116	6,589,033
Interest expenses	(73,528)	(1,912,642)	(1,058,549)	(285,849)	(404,958)	(1,136,381)	(4,871,907)
Provision for impairment losses	-	-	-	(65,524)	-	(38,138)	(103,662)
Credit loss expense	30	(395,519)	(89,291)	(71,060)	(121,924)	(1,028)	(678,792)

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62. SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the year ended 31 December 2017

	Brokerage and wealth management	Credit business	Institutional client services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	2,587,999	131,599	1,517,804	1,634,970	839,435	3,109	6,714,916
- Inter-segment	28,170	-	-	-	-	-	28,170
Interest income							
- External	826,678	3,242,208	25,034	173,968	523,382	337,613	5,128,883
- Inter-segment	(94,218)	-	-	5,272	-	300,822	211,876
Net investment gains/(losses)							
- External	5,965	(27,697)	1,547,490	566,279	78,433	324,169	2,494,639
- Inter-segment	-	-	-	10,333	17,560	(28,935)	(1,042)
Total revenue							
- External	3,420,642	3,346,110	3,090,328	2,375,217	1,441,250	664,891	14,338,438
- Inter-segment	(66,048)	-	-	15,605	17,560	271,887	239,004
Other income and gains							
- External	24,117	45,442	416	29,193	110,943	212,686	422,797
- Inter-segment	-	-	-	-	15,358	1,265	16,623
Segment revenue and other income							
- External	3,444,759	3,391,552	3,090,744	2,404,410	1,552,193	877,577	14,761,235
- Inter-segment	(66,048)	-	-	15,605	32,918	273,152	255,627
Segment expenses							
- External	(2,407,290)	(1,719,457)	(1,719,649)	(1,232,956)	(1,818,572)	(1,868,942)	(10,766,866)
- Inter-segment	-	(10,559)	-	(187,962)	(14,740)	(42,366)	(255,627)
Segment operating profit/(loss)							
- External	1,037,469	1,672,095	1,371,095	1,171,454	(266,379)	(991,365)	3,994,369
- Inter-segment	(66,048)	(10,559)	-	(172,357)	18,178	230,786	-
Share of profit of associates and joint ventures							
- External	-	(1,039)	-	78,849	5,478	-	83,288
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax							
- External	1,037,469	1,671,056	1,371,095	1,250,303	(260,901)	(991,365)	4,077,657
- Inter-segment	(66,048)	(10,559)	-	(172,357)	18,178	230,786	-
Interest income	826,678	3,242,208	25,034	173,968	523,382	337,613	5,128,883
Interest expenses	(101,262)	(1,463,743)	(831,466)	(348,477)	(307,796)	(830,639)	(3,883,383)
Reversal of/(provision for) impairment losses	48	(133,564)	-	4,915	(296,117)	(26,564)	(451,282)

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62. 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, refundable deposits and other non-current assets ("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:

	Year ended 31 December 2018			Year ended 31 December 2017		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Revenue from external customers	11,557,861	1,618,403	13,176,264	12,897,188	1,441,250	14,338,438
Other income and gains	242,235	64,085	306,320	311,854	110,943	422,797
Total	<u>11,800,096</u>	<u>1,682,488</u>	<u>13,482,584</u>	<u>13,209,042</u>	<u>1,552,193</u>	<u>14,761,235</u>

Specified non-current assets:

	As at 31 December 2018			As at 31 December 2017		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Property and equipment	763,551	36,492	800,043	799,454	30,825	830,279
Goodwill	9,380	1,247,666	1,257,046	9,380	1,190,295	1,199,675
Other intangible assets	82,023	354,191	436,214	78,856	478,847	557,703
Interests in associates and joint ventures	1,057,400	38,910	1,096,310	1,192,430	37,344	1,229,774
Refundable deposits	<u>3,149,377</u>	<u>37,431</u>	<u>3,186,808</u>	<u>3,650,208</u>	<u>62,808</u>	<u>3,713,016</u>

(All amounts expressed in RMB thousand unless otherwise specified)

63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk and liquidity risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to four types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business; and (iv) default risk of other fixed income financial assets except for debt securities and derivative financial assets, which refers to risk of asset losses caused by counterparty defaults.

The Group uses its risk management systems to monitor its credit risk closely, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analysis and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress tests and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuers and bonds during the reporting period. The Group has established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assesses the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of other credit business, preliminary due diligence is performed and a due diligence report is submitted for approval by the Group before a project can be launched.

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	31 December 2018	31 December 2017
Financial assets measured at amortized cost	7,902,881	-
Held-to-maturity investments	-	378,885
Refundable deposits	3,186,808	3,713,016
Accounts receivable	3,211,112	3,113,373
Other receivables and prepayments	2,241,654	4,160,502
Finance lease receivables	5,296,830	5,669,844
Other non-current assets	32,712	352,973
Margin accounts receivable	30,337,928	37,708,357
Available-for-sale financial assets	-	25,278,413
Financial assets held under resale agreements	33,708,788	20,081,044
Financial assets at fair value through profit or loss	52,406,100	28,250,496
Debt instruments at fair value through other comprehensive income	8,398,879	-
Derivative financial assets	26,720	196,874
Clearing settlement funds	1,475,419	738,426
Cash held on behalf of brokerage clients	33,234,544	40,105,816
Bank balances	8,927,409	9,758,499
Total maximum credit risk exposure	190,387,784	179,506,518

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

31 December 2018	By geographical area		
	Mainland China	Outside Mainland China	Total
Financial assets measured at amortized cost	7,769,078	133,803	7,902,881
Refundable deposits	3,149,377	37,431	3,186,808
Accounts receivable	604,523	2,606,589	3,211,112
Other receivables and prepayments	2,141,419	100,235	2,241,654
Finance lease receivables	5,296,830	-	5,296,830
Other non-current assets	32,712	-	32,712
Margin accounts receivable	22,259,357	8,078,571	30,337,928
Financial assets held under resale agreements	33,708,788	-	33,708,788
Financial assets at fair value through profit or loss	52,092,909	313,191	52,406,100
Debt instruments at fair value through other comprehensive income	8,398,879	-	8,398,879
Derivative financial assets	26,720	-	26,720
Clearing settlement funds	1,475,419	-	1,475,419
Cash held on behalf of brokerage clients	23,634,216	9,600,328	33,234,544
Bank balances	6,794,764	2,132,645	8,927,409
Total maximum credit risk exposure	167,384,991	23,002,793	190,387,784

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

31 December 2017	By geographical area		
	Mainland China	Outside Mainland China	Total
Held-to-maturity investments	-	378,885	378,885
Refundable deposits	3,650,208	62,808	3,713,016
Accounts receivable	1,867,994	1,245,379	3,113,373
Other receivables and prepayments	4,074,871	85,631	4,160,502
Finance lease receivables	5,669,844	-	5,669,844
Other non-current assets	352,973	-	352,973
Margin accounts receivable	29,436,243	8,272,114	37,708,357
Available-for-sale financial assets	25,278,413	-	25,278,413
Financial assets held under resale agreements	20,081,044	-	20,081,044
Financial assets at fair value through profit or loss	27,993,549	256,947	28,250,496
Derivative financial assets	196,874	-	196,874
Clearing settlement funds	738,426	-	738,426
Cash held on behalf of brokerage clients	40,105,816	-	40,105,816
Bank balances	9,758,499	-	9,758,499
Total maximum credit risk exposure	169,204,754	10,301,764	179,506,518

(iii) Credit rating analysis of financial assets

The Group adopts a credit rating method to monitor the credit risk of the debt securities portfolio. The rating of debt securities is decided with the reference to credit ratings from major credit rating institutions in which the debt issuers are located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	31 December 2018	31 December 2017
Rating		
Long-term bonds		
- AAA	11,074,695	10,997,635
- From A to AA+	11,005,360	12,284,358
- From B- to BBB+	-	277,836
- CCC+	-	21,932
- From C to CC	56,514	-
- Non-rated <sup>(1)</sup>	8,376,195	11,447,812
Sub-total	30,512,764	35,029,573
Short-term bonds		
- A-1	2,074,770	1,632,591
- AA+	211,186	-
- AAA	283,811	129,895
- Non-rated <sup>(1)</sup>	7,451,677	7,969,937
Sub-total	10,021,444	9,732,423
Total	40,534,208	44,761,996

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Credit rating analysis of financial assets (continued)

(1) Non-rated financial assets mainly represent debt instruments issued by the MOF, the PBOC, policy banks, private placed bonds, and super and short-term commercial papers.

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (i) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (ii) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:



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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Financial liabilities	31 December 2018							Total
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	With no fixed term	
Loans and borrowings	14,981,726	-	3,443,915	837,640	1,513,085	9,885,042	-	15,679,682
Short-term debt instruments issued	14,109,673	-	3,290,394	4,257,492	6,708,491	-	-	14,256,377
Placements from other financial institutions	5,609,349	-	4,487,114	277,364	849,646	-	-	5,614,124
Accounts payable to brokerage clients	35,965,897	35,965,897	-	-	-	-	-	35,965,897
Other payables and accruals	11,246,027	6,110,194	597,781	216,752	4,305,486	2,030	-	11,232,243
Financial liabilities at fair value through profit or loss	287,616	287,616	-	-	-	-	-	287,616
Financial assets sold under repurchase agreements	15,953,819	-	15,958,788	3,932	6,241	-	-	15,968,961
Derivative financial liabilities	492,824	-	85,863	712	406,248	-	-	492,823
Long-term bonds	49,517,845	-	111,000	2,217,240	8,281,395	42,960,324	-	53,569,959
Other non-current liabilities	5,264,117	-	-	-	-	5,259,225	167,220	5,426,445
Total	153,428,893	42,363,707	27,974,855	7,811,132	22,070,592	58,106,621	167,220	158,494,127

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Financial liabilities	31 December 2017						Total
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 months but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	
Loans and borrowings	12,463,966	-	5,551,513	679,366	971,554	5,767,391	12,969,824
Short-term debt instruments issued	18,491,732	-	4,632,925	2,841,131	11,465,831	-	18,939,887
Placements from other financial institutions	2,993,700	-	210,687	20,540	2,835,754	-	3,066,981
Accounts payable to brokerage clients	41,060,343	41,060,343	-	-	-	-	41,060,343
Other payables and accruals	7,872,759	1,137,381	883,853	30,946	5,765,241	-	7,817,421
Financial liabilities at fair value through profit or loss	456,941	215,448	250,202	-	-	-	465,650
Financial assets sold under repurchase agreements	23,315,495	-	23,331,460	19,245	5,577	-	23,356,282
Derivative financial liabilities	156,280	63,330	11,276	60,396	21,278	-	156,280
Long-term bonds	40,917,630	-	4,275,000	247,268	13,389,258	27,254,500	45,166,026
Other non-current liabilities	3,605,454	-	-	-	-	3,574,259	3,574,259
Total	151,334,300	42,476,502	39,146,916	3,898,892	34,454,493	36,596,150	156,572,953

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2018						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest-bearing	
Financial assets							
Financial assets measured at amortized cost	-	133,803	288,403	5,487,119	1,821,492	172,064	7,902,881
Debt instruments at fair value through other comprehensive income	110,984	54,089	279,209	5,358,674	2,371,283	224,641	8,398,880
Financial assets held under resale agreements	17,137,660	2,942,153	9,998,966	3,541,285	-	88,724	33,708,788
Refundable deposits	883,748	-	-	-	-	2,303,060	3,186,808
Accounts receivable	-	-	-	-	-	3,211,112	3,211,112
Other receivables and prepayments	1,500	2,500	2,549,787	3,362,253	-	1,655,156	7,571,196
Margin accounts receivable	14,701,688	2,574,747	13,061,493	-	-	-	30,337,928
Financial assets at fair value through profit or loss	1,269,882	1,505,376	8,261,113	11,232,757	1,317,145	34,063,065	57,649,338
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	4,848,015	4,848,015
Derivative financial assets	-	-	-	-	-	26,720	26,720
Clearing settlement funds	1,464,660	-	-	-	-	10,758	1,475,418
Cash held on behalf of brokerage clients	29,396,484	50,000	3,740,000	-	-	48,060	33,234,544
Cash and bank balances	8,339,732	45,472	505,000	-	-	37,333	8,927,537
Total	<u>73,306,338</u>	<u>7,308,140</u>	<u>38,683,971</u>	<u>28,982,088</u>	<u>5,509,920</u>	<u>46,688,708</u>	<u>200,479,165</u>

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2018						
Financial liabilities	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest- bearing	Total
Loans and borrowings	(3,967,004)	(304,725)	(1,139,318)	(9,560,497)	-	(10,183)	(14,981,727)
Short-term debt instruments issued	(3,159,202)	(4,189,346)	(6,405,092)	-	-	(356,033)	(14,109,673)
Placements from other financial institutions	(4,477,840)	(276,800)	(845,220)	-	-	(9,489)	(5,609,349)
Accounts payable to brokerage clients	(28,430,554)	-	-	-	-	(7,535,343)	(35,965,897)
Other payables and accruals	-	(150,476)	(4,035,811)	-	-	(6,957,111)	(11,143,398)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(287,616)	(287,616)
Financial assets sold under repurchase agreements	(15,922,847)	(3,879)	(6,125)	-	-	(20,968)	(15,953,819)
Derivative financial liabilities	-	-	-	-	-	(492,824)	(492,824)
Long-term bonds	-	(1,999,762)	(6,476,718)	(39,980,713)	-	(1,060,652)	(49,517,845)
Other non-current liabilities	-	-	-	(2,805,114)	-	(2,452,637)	(5,257,751)
Total	<u>(55,957,447)</u>	<u>(6,924,988)</u>	<u>(18,908,284)</u>	<u>(52,346,324)</u>	<u>-</u>	<u>(19,182,856)</u>	<u>(153,319,899)</u>
Net interest rate risk exposure	<u>17,348,891</u>	<u>383,152</u>	<u>19,775,687</u>	<u>(23,364,236)</u>	<u>5,509,920</u>	<u>27,505,852</u>	<u>47,159,266</u>

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2017						
Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest- bearing	Total
Held-to-maturity investments	-	-	-	378,885	-	-	378,885
Available-for-sale financial assets	2,327,428	7,519,294	50,747	126,057	14,916,726	13,016,051	37,956,303
Financial assets held under resale agreements	2,167,866	939,007	11,443,371	5,530,800	-	-	20,081,044
Refundable deposits	628,294	-	-	-	-	3,084,722	3,713,016
Accounts receivable	-	-	-	-	-	3,113,373	3,113,373
Finance lease receivables	-	-	577,612	5,092,232	-	-	5,669,844
Other receivables and prepayments	-	86,990	584,234	-	-	1,975,953	2,647,177
Margin accounts receivable	11,969,789	4,349,371	21,389,197	-	-	-	37,708,357
Financial assets at fair value through profit or loss	7,637,279	824,534	2,071,642	8,048,433	578,868	18,285,755	37,446,511
Derivative financial assets	1,445	1,189	-	-	-	194,240	196,874
Clearing settlement funds	738,426	-	-	-	-	-	738,426
Cash held on behalf of brokerage clients	34,177,069	3,699,733	2,025,000	30,000	-	174,014	40,105,816
Cash and bank balances	9,758,897	-	-	-	-	-	9,758,897
Total	<u>69,406,493</u>	<u>17,420,118</u>	<u>38,141,803</u>	<u>19,206,407</u>	<u>15,495,594</u>	<u>39,844,108</u>	<u>199,514,523</u>

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2017						
Financial liabilities	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest- bearing	Total
Loans and borrowings	(5,538,721)	(673,512)	(925,627)	(5,326,106)	-	-	(12,463,966)
Short-term debt instruments issued	(4,608,012)	(2,743,688)	(11,140,032)	-	-	-	(18,491,732)
Placements from other financial institutions	(200,000)	-	(2,793,700)	-	-	-	(2,993,700)
Accounts payable to brokerage clients	(33,645,723)	-	-	-	-	(7,414,620)	(41,060,343)
Other payables and accruals	-	-	(231,780)	-	-	(7,493,094)	(7,724,874)
Financial liabilities at fair value through profit or loss	(241,493)	-	-	-	-	(215,448)	(456,941)
Financial assets sold under repurchase agreements	(23,290,929)	(19,030)	(5,536)	-	-	-	(23,315,495)
Derivative financial liabilities	(3,439)	(1,320)	-	-	-	(151,521)	(156,280)
Long-term bonds	(3,999,364)	-	(11,979,556)	(24,938,710)	-	-	(40,917,630)
Other non-current liabilities	-	-	-	(808,763)	-	(2,734,309)	(3,543,072)
Total	<u>(71,527,681)</u>	<u>(3,437,550)</u>	<u>(27,076,231)</u>	<u>(31,073,579)</u>	<u>-</u>	<u>(18,008,992)</u>	<u>(151,124,033)</u>
Net interest rate risk exposure	<u>(2,121,188)</u>	<u>13,982,568</u>	<u>11,065,572</u>	<u>(11,867,172)</u>	<u>15,495,594</u>	<u>21,835,116</u>	<u>48,390,490</u>

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of profit after tax	
	2018	2017
Move in yield curve		
- Up 25 basis points	(71,405)	(25,062)
- Down 25 basis points	72,080	25,637
	Sensitivity of equity	
	2018	2017
Move in yield curve		
- Up 25 basis points	(119,527)	(235,732)
- Down 25 basis points	121,006	239,630

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.



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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Currency risk

	Sensitivity of profit after tax	
	2018	2017
USD	22,051	(11,909)
HKD	65,368	141,543
EUR	3,794	(1,813)
GBP	17,165	-
AUD	16,215	-
JPY	6,367	-
	Sensitivity of equity	
	2018	2017
USD	22,051	(11,909)
HKD	65,368	141,514
EUR	3,794	(1,813)
GBP	17,165	-
AUD	16,215	-
JPY	6,367	-

A 10% weakening of the RMB against the USD, HKD, EUR, GBP, AUD and JPY at the end of the reporting period would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on foreign exchange rate changes may be different, compared with the actual changes in the Group's profit after tax and equity that may arise with this.

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments included in financial assets at fair value through profit or loss, available-for-sale financial instruments, debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's profit after tax and equity due to the price fluctuation of the financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets.

Sensitivity analysis

The analysis below is performed to show the impact on Group's profit after tax and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of profit after tax	
	2018	2017
Increase by 10%	1,518,685	646,918
Decrease by 10%	(1,518,685)	(646,918)

	Sensitivity of equity	
	2018	2017
Increase by 10%	1,882,286	1,596,999
Decrease by 10%	(1,882,286)	(1,596,999)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2018 and 2017.

(d) Capital management

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC and Hong Kong regulations.

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63. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital management (continued)

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the “Revised Administrative Measures”) and the Calculation Standard for Risk Control Indicators of Securities Companies issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- (ii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8%;
- (iii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100%;
- (iv) The ratio of available stable funds divided by required stable funds shall be no less than 100%;
- (v) The ratio of net capital divided by net assets shall be no less than 20%;
- (vi) The ratio of net capital divided by liabilities shall be no less than 8%;
- (vii) The ratio of net assets divided by liabilities shall be no less than 10%;
- (viii) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%;
- (ix) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500%; and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400%.

During the reporting period, the Company monitored the above ratios closely to maintain these ratios in compliance with the relevant capital requirements.

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the reporting period.

64. FAIR VALUE INFORMATION

(a) Fair value of financial instruments

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

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(a) Fair value of financial instruments (continued)

- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of long-term bonds and other non-current liabilities — put right liabilities arising from business combination are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimated the fair values using pricing models including discounted cash flow and binomial pricing model.
- (iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients mainly are within one year. Accordingly, the carrying amounts approximate the fair values.

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

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

Carrying amount:

	31 December 2018	31 December 2017
Financial assets		
- Financial assets measured at amortized cost	7,902,881	-
Financial liabilities		
- Long-term bonds	49,517,845	40,917,630

Fair value:

	As at 31 December 2018			Total
	Level I	Level II	Level III	
Financial assets				
- Financial assets measured at amortized cost	-	7,828,219	160,923	7,989,142
Financial liabilities				
- Long-term bonds	-	47,317,767	2,775,993	50,093,760
	As at 31 December 2017			Total
	Level I	Level II	Level III	
Financial liabilities				
- Long-term bonds	-	43,461,245	-	43,461,245

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

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

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

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

(c) Fair value hierarchy

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

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

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

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64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

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

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

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64. FAIR VALUE INFORMATION (continued)

(c) 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
– Equity securities	-	-	326,686	326,686
– Funds	-	-	199,556	199,556
– Wealth management products	-	352,419	1,717,117	2,069,536
– Others	-	-	437,243	437,243
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.

(All amounts expressed in RMB thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(i) Financial instruments in Level I

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

(ii) Financial instruments in Level II

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

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

(iii) Valuation methods for specific investments

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

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



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64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III

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

	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	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	(697)	292	129,480	-	-	129,075
Gains for the year	228,049	-	-	-	(53,819)	174,230
Changes in fair value recognised in other comprehensive income	-	(128,772)	(85,046)	-	-	(213,818)
Purchases	44,876,088	134,361	30,000	-	(18,348)	45,022,101
Sales and settlements	(38,318,283)	(41,081)	-	-	-	(38,359,364)
As at 31 December 2018	<u>14,088,791</u>	<u>534,498</u>	<u>74,434</u>	<u>-</u>	<u>(287,616)</u>	<u>14,410,107</u>
Total gains/(losses) for the reporting period included in profit or loss for assets held at the end of the reporting period	<u>174,230</u>	<u>-</u>	<u>(75,771)</u>	<u>-</u>	<u>-</u>	<u>98,459</u>

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64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2017	3,250,896	3,367,111	(202,034)	6,415,973
Transfer in	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 gains for the year reclassified from other comprehensive income on disposal	180,236	184	-	180,420
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 thousand unless otherwise specified)

64. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

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

Financial assets / liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
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

65. Guarantees

During the reporting period, guarantees provided by the Company mainly included the provision of net capital guarantee for Everbright Asset Management, a wholly-owned subsidiary of the Company. As at 31 December 2018, the balance of the above guarantees amounted to RMB5.305 billion.

During the reporting period, guarantees provided by controlling subsidiaries of the Company mainly included the loan guarantees and financing guarantees provided by EBSHK, a wholly-owned subsidiary of the Company, and its subsidiaries to their subsidiaries for the business development of such companies. As at 31 December 2018, the balance of the above guarantees amounted to RMB9.537 billion.

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66. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2018	31 December 2017
<b>Non-current assets</b>		
Property and equipment	737,696	769,862
Other intangible assets	62,739	65,468
Investments in subsidiaries	9,145,062	10,545,063
Interests in associates and joint ventures	558,030	662,316
Available-for-sale financial assets	-	6,270,785
Financial assets measured at amortized cost	7,606,011	-
Equity instruments at fair value through other comprehensive income	4,713,654	-
Debt instruments at fair value through other comprehensive income	7,966,161	-
Financial assets held under resale agreements	2,714,072	5,530,801
Refundable deposits	692,536	746,761
Deferred tax assets	951,228	335,054
Other non-current assets	110,705	118,084
<b>Total non-current assets</b>	<b>35,257,894</b>	<b>25,044,194</b>
<b>Current assets</b>		
Accounts receivable	729,347	668,025
Other receivables and prepayments	1,742,212	3,033,096
Margin accounts receivable	22,259,358	29,436,243
Available-for-sale financial assets	-	27,243,549
Debt instruments at fair value through other comprehensive income	504,381	-
Financial assets held under resale agreements	24,671,163	14,443,836
Financial assets measured at amortized cost	163,067	-
Financial assets at fair value through profit or loss	46,346,151	28,096,602
Derivative financial assets	6,939	207,314
Clearing settlement funds	1,438,077	704,364
Cash held on behalf of brokerage clients	20,635,333	24,201,862
Cash and bank balances	3,199,747	5,314,401
<b>Total current assets</b>	<b>121,695,775</b>	<b>133,349,292</b>
<b>Total assets</b>	<b>156,953,669</b>	<b>158,393,486</b>

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66. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	31 December 2018	31 December 2017
<b>Current liabilities</b>		
Short-term debt instruments issued	14,109,673	18,491,732
Placements from other financial institutions	5,609,349	2,993,700
Financial liabilities at fair value through profit or loss	-	241,493
Accounts payable to brokerage clients	19,706,406	22,747,998
Employee benefits payable	989,609	1,548,557
Other payables and accruals	5,179,283	2,551,682
Current tax liabilities	219,058	539,642
Financial assets sold under repurchase agreements	13,983,817	23,004,246
Derivative financial liabilities	453,501	167,386
Long-term bonds due within one year	8,223,152	13,044,307
<b>Total current liabilities</b>	<b>68,473,848</b>	<b>85,330,743</b>
<b>Net current assets</b>	<b>53,221,927</b>	<b>48,018,549</b>
<b>Total assets less current liabilities</b>	<b>88,479,821</b>	<b>73,062,743</b>
<b>Non-current liabilities</b>		
Long-term bonds	38,445,782	24,140,603
Other non-current liabilities	2,466,056	500,000
<b>Total non-current liabilities</b>	<b>40,911,838</b>	<b>24,640,603</b>
<b>Net assets</b>	<b>47,567,983</b>	<b>48,422,140</b>
	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Equity</b>		
Share capital	4,610,788	4,610,788
Reserves	33,612,598	33,428,119
Retained profits	9,344,597	10,383,233
<b>Total equity</b>	<b>47,567,983</b>	<b>48,422,140</b>

(All amounts expressed in RMB thousand unless otherwise specified)

67. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Profit distribution plan after accounting period

On 27 March 2018, based on the total number of 4,610,787,639 ordinary shares of the Company, the Board proposed to distribute cash dividends of RMB1 (tax inclusive) per 10 ordinary shares to all the shareholders, with total cash dividend amounting to RMB461,079 thousand (2017: RMB922,158 thousand).

The proposal is subject to the approval by the shareholders at the next general meeting. The cash dividends are not recognized as a liability as at 31 December 2018.

(b) Issuance of corporate bonds after the reporting period

On 22 January 2019, the Company issued a corporate bond with an aggregate principal amount of RMB3 billion through non-public offering, which has a term of 3 years and bears interest at a rate of 3.88%.

On 21 February 2019, the Company issued a short-term corporate bond with an aggregate principal amount of RMB3 billion, which has a term of 3 months and bears interest at a rate of 2.75%.

(c) Redemption of corporate bonds after reporting period

On 14 February 2017, the Company issued a corporate bond with an aggregate principal amount of RMB2 billion through non-public offering, which has a term of 2 year and bears an interest rate of 4.30%. The redemption work of this bond was completed on February 14, 2019. The company's principal amount of the current bond was RMB2 billion, and the total interest paid was RMB86 million.

On 18 January 2018, the Company issued a corporate bond with an aggregate principal amount of RMB2 billion through non-public offering, which has a term of 1 year and bears an interest rate of 5.45%. The redemption work of this bond was completed on 18 January 2019. The company's principal amount of the current bond was RMB2 billion, and the total interest paid was RMB109 million.

On 16 November 2018, the Company issued a short-term corporate bond with an aggregate principal amount of RMB3 billion, which has a term of 3 months and bears interest at a rate of 3.18%. The redemption work of this bond was completed on 14 February 2019. The Company's principal amount and the total interest paid of the current bond was RMB3.02 billion.

On 19 March 2018, the Company issued a short-term corporate bond with an aggregate principal amount of RMB0.8 billion through non-public offering, which has a term of 1 year and bears interest at a rate of 5.22%. The redemption work of this bond was completed on 14 March 2019. The Company's principal amount of the current bond was RMB0.8 billion, and the total interest paid was RMB41.76 million.

68. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

## APPENDIX

### I Business Qualifications of the Company

Approving Authority	Business Qualification
People's Bank of China	Qualification for proprietary trading business (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81)
	Investment consultancy and financial advisory businesses (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81)
	Underwriting of commercial papers (Notice of the People's Bank of China on Engaging in Underwriting of Commercial Papers by Everbright Securities Limited and Haitong Securities Co., Ltd., Yin Fa [2005] No. 173)
	Proprietary trading and leasing of gold (Notice on Delivery of Filing Materials, Yin Shi Huang Jin Bei [2015] No. 31)
	Member of the national inter-bank market (inter-bank lending and trading of bonds, spot bonds transactions and bond repurchase businesses) (Notice on Approving the Admission of Some Securities Companies into the National Inter-bank Market, Yin Ban Fa [1999] No. 147)
CSRC and its branch offices	Qualification for proxy sales of financial products (Hu Zheng Jian Ji Gou Zi [2012] No. 547)
	Qualification for proxy sales of open-ended securities investment funds (Zheng Jian Ji Jin Zi [2004] No. 49)
	Qualification for intermediary introduction for futures (Hu Zheng Jian Ji Gou Zi [2010] No. 121)
	Integrated custody for private funds (pilot) (Letter of No Objection on Carrying Out Integrated Custody for Private Funds (Pilot) by Everbright Securities Company Limited, CSRC Ji Gou Bu Bu Han [2013] No. 21)
	Merger and acquisition businesses
	Agency for spot precious metal (including gold) contracts and proprietary trading of spot gold contracts (Letter of No Objection on Carrying Out the Businesses of Agency for Precious Metals (including Gold) Spot Contract and Proprietary Trading of Spot Gold Contract by Everbright Securities Company Limited, Ji Gou Bu Han [2015] No. 280)
	Qualification for equity securities returns swap business (Letter of No Objection on Engaging in Equity Securities Returns Swap Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2013] No. 30)
	Market making for options (Reply on Approving the Qualification of Everbright Securities Company Limited in Market Making for Stock Options, Zheng Jian Xu Ke [2015] No. 164)

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Approving Authority	Business Qualification
Securities Association of China	Qualification for margin financing and securities lending businesses (Zheng Jian Xu Ke [2010] No. 314)
	Securities transactions under repurchase agreements (pilot), (Ji Gou Bu Bu Han [2012] No. 459)
	Qualification for entrusted investment management (Reply on Approving the Qualification of Everbright Securities Limited in Entrusted Investment Management, Zheng Jian Ji Gou Zi [2002] No. 127)
	Carrying out of direct investment business (pilot) (Letter of No Objection on Carrying Out Direct Investment Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2008] No. 446)
	Notice on supporting the carrying out of credit derivatives by securities companies and serving private enterprises in bond financing (Hu Zheng Jian Ji Gou Zi [2019] No. 41)
	Qualification for nominated advisers and brokers engaged in agency share transfer business (Notice on Granting Qualification for Nominated Advisers and Brokers Engaged in Agency Share Transfer Business, Zhong Zheng Xie Fa [2003] No. 94)
	Qualification for stock quotation and transfer business (Letter on Granting Qualification for Quotation and Transfer Business to Everbright Securities Company Limited, Zhong Zheng Xie Han [2006] No. 3)
	Become a secondary dealers for OTC options business to carry out related OTC options business (Letter on Unifying the Filing of Secondary Dealers for OTC Options Businesses, Zhong Zheng Xie Han [2018] No. 657)
	Underwriting of SME private placement bonds (Zhong Zheng Xie Han [2012] No. 374)
	Market making for options (Qualification for Lead Market Maker of SSE 50ETF Options, Shang Zheng Han [2016] No. 152)
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)



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Approving Authority	Business Qualification
Shenzhen Stock Exchange	<p>Authority for securities transactions under repurchase agreements (Shen Zheng Hui [2013] No. 15)</p> <p>Authority for collateralized stock repurchase transactions (Shen Zheng Hui [2013] No. 58)</p> <p>Financing for exercise of options under share options incentive schemes of listed companies (pilot) (Shen Zheng Han [2014] No. 320)</p> <p>Authority for transactions under Southbound Trading of Shenzhen Connect (Shen Zheng Hui [2016] No. 330)</p>
Other Institutions	<p>Market making for National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2014] No. 772)</p> <p>Filing as outsourcing services institution for private funds (Asset Management Association of China Filing Number: A00037)</p> <p>Qualification for commercial paper transactions of Shanghai Commercial Paper Exchange (Piao Jiao Suo [2017] No. 9)</p> <p>Attempts for market making in the inter-bank bond market (Notice on Business Rules of Attempts for Market Making in the Inter-bank Bond Market and Related Matters, Zhong Hui Jiao Fa [2014] No. 132)</p> <p>Qualification for underwriting of book-entry government bonds (2015- 2017) (Announcement of the Ministry of Finance of the People's Republic of China, 2014 No. 93)</p> <p>Qualification for underwriting of book-entry government bonds (2018-2020) (Announcement of the Ministry of Finance of the People's Republic of China, 2017 No. 167)</p> <p>Qualification for interbank gold bilateral transactions (Reply on Approving the Carrying Out of Interbank Gold Bilateral Transactions by Everbright Securities Company Limited, Shang Jin Jiao Fa [2017] No. 68)</p> <p>Interest rate swaps</p> <p>Settlement of options (Reply on Matters Relating to the Qualification for Settlement of Options, Zhong Guo Jie Suan Han Zi [2015] No. 28)</p> <p>Pooled settlement of and quotation for credit default swaps (Notice on Approval of Becoming a Member of the Group for Pooled Settlement of and Quotation for Credit Default Swaps)</p> <p>Margin refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 124)</p> <p>Refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 115)</p> <p>Securities lending refinancing (pilot) (Zhong Zheng Jin Han [2013] No. 45)</p>

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Approving Authority	Business Qualification
China Securities Registration and Settlement Co., Ltd.	Adjusting the credit limit of refinancing (Zhong Zheng Jin Han [2014] No. 278, Zhong Zheng Jin Han [2016] No. 28,)
	License for operating foreign exchange operation for securities business (foreign currency negotiable securities underwriting, foreign currency negotiable securities brokerage and foreign currency lending) (Reply on Approving the Change of Company Name of Everbright Securities Company Limited on the Licence for Operating Foreign Exchange Operation for Securities Business, Shang Hai Hui Fu [2005] No. 72)
	Lead Underwriter for Debt Financing Instruments of Non-financial Enterprises (Announcement of National Association of Financial Market Institutional Investors, [2012] No. 19)
	Special membership qualification of Shanghai Gold Exchange: No. T009 (April 3, 2015)
	Qualification for account opening agency
	Qualification for class A clearing participant (Zhong Guo Jie Suan Han Zi [2008] No. 12)
	Qualification for participation in multilateral net amount guarantee settlement (Zhong Guo Jie Suan Fa Zi [2014] No. 28)
	Qualification for digital certificate service agency
	Qualification for securities pledge registration agency
	Qualification for settlement of options (Zhong Guo Jie Suan Han Zi [2015] No. 28)
Interbank Market Clearing House Co., Ltd.	Qualification for remote account opening for special institutions and products
	Qualification for net settlement of bond transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Zhun Zi [2015] No. 115)
	Qualification for remote account opening for special institutions and products
	Notice on Matters regarding Participation in the Centralized Clearing Business of Credit Default Swap (2018 Bian Han No. 355)
	Key dealer of credit risk mitigation tool, December 21, 2018 <a href="http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74478.html">http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74478.html</a>
	Creator of credit risk mitigation warrant, December 21, 2018 <a href="http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74477.html">http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74477.html</a>
	Creator of credit-linked notes, December 21, 2018 <a href="http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74476.html">http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74476.html</a>

## APPENDIX

## II Business Qualifications of Subsidiaries

Name of Subsidiary	Business Qualification
Everbright Asset Management	License for carrying out securities futures business (securities asset management) in the People's Republic of China (CSRC, Zheng Jian Xu Ke [2011] No.1886)
Everbright Futures and its subsidiaries	Commodity futures brokerage (CSRC) Financial futures brokerage (CSRC Zheng Jian Qi Huo Zi [2017] No. 297) Qualification for IB business (CSRC Shanghai Bureau, Hu Zheng Jian Qi Huo Zi [2010] No. 74) Futures investment consultancy (CSRC Zheng Jian Xu Ke [2011] No. 1770) Asset management (CSRC Zheng Jian Xu Ke [2012] No. 1499) Public offering of securities and sales of investment funds (CSRC Shanghai Bureau, Hu Zheng Jian Xu Ke [2017] No. 10) Qualification for the comprehensive settlement of financial futures (Zheng Jian Qi Huo Zi [2007] No.298) 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) Stock options (Shanghai Stock Exchange Shang Zheng Han [2015] No. 168)
Everbright Capital	Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch)
Everbright Development	Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch)
Everbright Fortune International Leasing	ABS letter of no objection (Shang Zheng Han [2017] No. 1312) PPN registration notice (Zhong Shi Xie Zhu [2017] No. PPN111) SCP registration notice (Zhong Shi Xie Zhu [2018] No. SCP119) Business Permit for Medical Devices(Hu Pu Shi Yao Jian Xie Jing Ying Xu 20150229)
Everbright Fortune	Member of alternative investment subsidiaries (4th Batch of Private Investment Funds Subsidiaries and Member of Alternative Investment Subsidiaries of Securities Association of China) 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)

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Name of Subsidiary		Business Qualification	
Everbright Pramerica		License 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	
EBSHK	Sun Hung Kai Investment Services Limited	Type 1 regulated activity – Dealing in securities Type 4 regulated activity – Advising on securities HKEx participant Money lender's license has been expired on July 4, 2018 and will not be renewed	(SFC AAC153)   (HKEx certificate number P1709)
	Sun Hung Kai (Nominees) Limited	Associated entity Trust and corporate service provider	(SFC AAS942) (Hong Kong Companies Registry license number TC002563)
	Sun Hung Kai Commodities Limited	Type 2 regulated activity – Dealing in futures contracts	(SFC AAF237)
	Sun Hung Kai Forex Limited	Type 3 regulated activity – Leveraged foreign exchange trading Money Service Operator	(SFC ACI995) Hong Kong Customs and Excise Department, license number: 12-09-00833
	SHK Online (Securities) Limited	Type 1 regulated activity – Dealing in securities	(SFC AAC483)

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Name of Subsidiary		Business Qualification	
EBSHK	Sun Hung Kai International Commodities Limited	Type 1 regulated activity – Dealing in securities	(SFC AAI430)
		Type 6 regulated activity – Advising on corporate finance	
	SHK Fund Management Limited	Type 1 regulated activity – Dealing in securities	(SFC AAI432)
		Type 4 regulated activity – Advising on securities	
		Type 9 regulated activity – Asset management	
	China Everbright Securities (HK) Limited	Type 1 regulated activity – Dealing in securities	(SFC AAW536)
		Type 4 regulated activity – Advising on securities	
		Type 6 regulated activity – Advising on corporate finance	
		Type 9 regulated activity – Asset management	
		HKEx participant	(HKEx certificate number P1260)
	China Everbright Forex & Futures (HK) Limited	Type 2 regulated activity – Dealing in futures contracts	(SFC AEX690)
		Type 3 regulated activity – Leveraged foreign exchange trading	
	China Everbright Research Limited	Type 4 regulated activity – Advising on securities	(SFC AEH589)
	China Everbright Capital Limited	Type 1 regulated activity – Dealing in securities	(SFC ACE409)
		Type 4 regulated activity – Advising on securities	
		Type 6 regulated activity – Advising on corporate finance	

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Name of Subsidiary		Business Qualification	
EBSHK	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) (Hong Kong Mandatory Provident Fund Schemes Authority IC000854)
	Sun Hung Kai Insurance Consultants Limited	General insurance and long-term insurance (including investment-linked long-term insurance) Mandatory Provident Fund intermediary	(The Hong Kong Confederation of Insurance Brokers 0034) Hong Kong 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's license has been expired on January 16, 2019 and will not be renewed	Cancellation of company registration in progress

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Name of Subsidiary		Business Qualification	
EBSHK	China Everbright Property Agency Ltd	Estate agent's license has been expired on November 6, 2018 and will not be renewed	Cancellation of company registration in progress
	Sun Hung Kai Bullion Company Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: - 99 Tael Gold - 999.9 Kilo Gold HKD - Loco London Gold - Loco London Silver	(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M761; membership number: 044)
	Sun Hing Bullion Company Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: - 99 Tael Gold - 999.9 Kilo Gold HKD	(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M760; member ship number: 040)
	Shun Loong Bullion Limited	Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: - 99 Tael Gold - 999.9 Kilo Gold HKD	(The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M768; membership number: 068)