



光大证券
EVERBRIGHT SECURITIES

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

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 601788 (A Share) 06178 (H Share)

2021 INTERIM REPORT



Contents

| | | |
|-----------|-----------------------------------|--|
| 3 | Section I | Definitions |
| 6 | Section II | Company Profile and Key Financial Indicators |
| 10 | Section III | Management Discussion and Analysis |
| 38 | Section IV | Corporate Governance |
| 42 | Section V | Environmental and Social Responsibilities |
| 44 | Section VI | Significant Events |
| 55 | Section VII | Changes in Shares and Particulars about Shareholders |
| 60 | Section VIII | Relevant Information on Preference Shares |
| 61 | Section IX | Relevant Information on Bonds |
| 66 | Section X | Information Disclosure of Securities Firms |
| 76 | Section XI | Financial Report |
| | Index of Documents for Inspection | <p>Financial statements carrying signatures and seals of the person-in-charge of the Company, the person-in-charge of accounting affairs of the Company and the head of accounting department of the Company</p> <p>Articles of Association</p> <p>Originals of all documents of the Company and manuscripts of announcements publicly disclosed at designated websites of CSRC during the Reporting Period</p> <p>Interim reports and interim financial information disclosed to the public based on the requirements of other regulators and trading venues at home and abroad</p> |

IMPORTANT NOTICE

1. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this interim report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally assume legal responsibility as to the contents herein.
2. This report was reviewed and passed at the 8th meeting of the sixth 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. None of the Directors or Supervisors has made any objection to this report.
3. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the International Financial Reporting Standards and have not been audited, while having been reviewed by Ernst & Young. The data set out in this report is denominated in RMB.
4. Mr. Yan Jun, the person-in-charge of the Company, Mr. Liu Qiuming, the person-in-charge of accounting affairs, and Mr. He Mannian, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
5. Forward-looking statements included in this report, including future plans and development strategies, do not constitute actual commitment of the Company to the investors. The investors should be reminded of the risks of investment.
6. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholders or their related parties during the Reporting Period.
7. The Company has not provided any external guarantees in violation of the prescribed decision-making procedures during the Reporting Period.
8. The Company had no plan of cash dividend distribution and bonus share proposals or proposal for transfer of capital reserve fund into capital for the first half of 2021.
9. The situation where the majority of the Directors cannot warrant the authenticity, accuracy and completeness of the information contained in the interim report does not exist.
10. 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 "IV. Potential Risk Exposure" in "Section III Management Discussion and Analysis" in this report for details.
11. The Company prepared this interim report in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

SECTION I DEFINITIONS

I. Definitions

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

| | |
|---|--|
| A Shares | domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB |
| ABN | notes backed by assets |
| Articles of Association | articles of association of the Company |
| AUM | assets under management |
| Board, Board of Directors | the board of Directors of the Company |
| CDR | China Depository Receipt |
| China or PRC | the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan |
| CMBN | commercial mortgage – backed notes |
| collateralized stock repurchase | a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge |
| Company, our Company, the parent company or Everbright Securities | Everbright Securities Company Limited (光大證券股份有限公司) |
| connected transaction(s) | has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time |
| CSRC | China Securities Regulatory Commission (中國證券監督管理委員會) |
| Dacheng Fund | Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company |
| Directors | the directors of the Company |
| EBSHK | Everbright Securities Financial Holdings Limited (光大證券金融控股有限公司), a wholly-owned subsidiary of the Company |
| ESIL | China Everbright Securities International Limited (中國光大證券國際有限公司), 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 |
| Everbright Capital | Everbright Capital Investment Co., Ltd. (光大資本投資有限公司), a wholly-owned subsidiary of the Company |
| Everbright Development | Everbright Development Investment Co., Ltd. (光大發展投資有限公司), a wholly-owned subsidiary of the Company |
| Everbright Fortune | Everbright Fortune Investment Co., Ltd. (光大富尊投資有限公司), a wholly-owned subsidiary of the Company |

SECTION I DEFINITIONS

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|---|---|
| Everbright Futures | Everbright Futures Co., Ltd. (光大期貨有限公司), a wholly-owned subsidiary of the Company |
| Everbright Group | China Everbright Group Ltd. (中國光大集團股份公司), the largest shareholder of the Company |
| Everbright Leasing | Everbright Fortune Financial Leasing Co., Ltd. (光大幸福融資租賃有限公司), a controlling subsidiary of the Company |
| Everbright Limited | China Everbright Limited (中國光大控股有限公司), the second largest shareholder of the Company |
| Everbright Pramerica | Everbright Pramerica Fund Management Co., Ltd. (光大保德信基金管理有限公司), a controlling subsidiary of the Company |
| Everbright SHK | Everbright Sun Hung Kai Company Limited (光大新鴻基有限公司), a wholly-owned subsidiary of SHKFGL |
| Group, our Group | the Company and its subsidiaries |
| H Shares | foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars |
| HK\$ or Hong Kong dollars or HK dollars | Hong Kong dollars, the lawful currency of Hong Kong |
| Hong Kong | the Hong Kong Special Administrative Region of The People's Republic of China |
| Hong Kong Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Huijin Company | Central Huijin Investment Ltd. (中央匯金投資有限責任公司) |
| IFRS | the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board, and interpretation issued by the International Accounting Standards Committee (IASC) |
| IPO | initial public offering |
| maintenance margin ratio | the ratio of all the collateral from the clients of margin financing and securities lending business (including the amount of cash and the market value of securities held in margin securities account) to the margin balance of clients (the sum of the amount of margin loans purchased, the latest market value of securities lent and any accrued interest and fees) |
| margin financing and securities lending | provision of collateral by investors to securities firms to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending) |
| MOF | Ministry of Finance of the PRC (中華人民共和國財政部) |
| NEEQ | National Equities Exchange and Quotations (全國中小企業股份轉讓系統) |
| PB | prime brokerage |
| PBOC | People's Bank of China, the central bank of the PRC |
| PPP | Public-private Partnership |

SECTION I DEFINITIONS

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|---|--|
| PRC GAAP | the PRC Accounting Standards for Business Enterprises |
| QFII | qualified foreign institutional investor |
| REITs | real estate investment trusts |
| related party transaction(s) | has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time, unless otherwise stated |
| Renminbi or RMB | RMB, the lawful currency of the PRC. Amounts are in RMB unless otherwise indicated in this report |
| Reporting Period | the first half of 2021 (January 1, 2021 to June 30, 2021) |
| Sci-tech Innovation Board | the science and technology innovation board launched by the Shanghai Stock Exchange |
| securitization, ABS | financing through issuance of tradable securities backed by specific asset portfolios or cash flows |
| security transactions with repurchase agreement | a transaction in which a qualified client sells the subject securities at an agreed price to the securities firm which is the custodian of such securities, and agrees to purchase the subject securities from the securities firm at another agreed price on a future date, and the securities firm will return the relevant yields generated by the subject securities during the period pending for repurchase to the client pursuant to the agreement signed with the client |
| SFC | the Securities and Futures Commission of Hong Kong |
| SFO | the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) |
| SHKFGL | Sun Hung Kai Financial Group Limited (新鴻基金融集團有限公司), a wholly-owned subsidiary of the Company |
| SSE | Shanghai Stock Exchange |
| SSE Listing Rules | Shanghai Stock Exchange Listing Rules |
| stock index futures | a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction |
| Supervisors | the supervisors of the Company |
| Supervisory Committee | the supervisory committee of the Company |
| SZSE | Shenzhen Stock Exchange |
| Wind | Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a company incorporated in the PRC in 1994 with limited liability and an integrated service provider of financial data, information and software, being an independent third party |

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

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. Company Information

| | |
|--|---------------------------------------|
| Chinese name of the Company | 光大證券股份有限公司 |
| Short name of the Company in Chinese | 光大證券 |
| English name of the Company | Everbright Securities Company Limited |
| Abbreviated name of A Shares of the Company in English | EBSCN |
| Abbreviated name of H Shares of the Company in English | EB SECURITIES |
| Legal representative of the Company | Mr. Liu Qiuming |
| General manager of the Company | Mr. Liu Qiuming |
| Secretary to the Board | Ms. Zhu Qin |
| Company Secretary | Dr. Ngai Wai Fung |
| Authorized representatives | Mr. Yan Jun and Dr. Ngai Wai Fung |

Registered capital and net capital of the Company

Unit: RMB

| | As at June 30, 2021 | As at December 31, 2020 |
|--------------------|------------------------------------|-------------------------------|
| Registered capital | 4,610,787,639.00 | 4,610,787,639.00 |
| Net capital | 43,662,973,652.51 | 40,337,555,050.59 |

Business qualifications

Securities brokerage, securities investment consulting, financial advisory relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment funds, margin financing and securities lending business, proxy sale of financial products, market making of stocks and options, securities investment fund custody business and other businesses approved by the CSRC. (For projects subject to approval in accordance with the law, the operating activities may only be carried out after obtaining approval from relevant authority(ies), and specific licensed projects that should be determined by approval documentations or licenses issued by relevant agencies)

The Company is also a member of the Securities Association of China, SSE, SZSE, China Association of Public Companies, Listed Companies Association of Shanghai and Shanghai Gold Exchange, clearing participant of China Securities Registration and Settlement Co., Ltd. and member of Asset Management Association of China. For details about qualifications of each of the businesses of the Company and its controlling subsidiaries, please refer to "III. Qualifications of Each of the Businesses of the Company and Its Subsidiaries" under "Section X Information Disclosure of Securities Firms" of this report.

II. Contact Person and Information

Secretary to the Board and Representative of Securities Affairs

| | |
|-----------------|--|
| Name | Ms. Zhu Qin |
| Contact address | No.1508 Xinzha Road, Jing'an District, Shanghai, the PRC |
| Telephone | 021-22169914 |
| Facsimile | 021-22169964 |
| Email address | ebs@ebscn.com |

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

III. Basic Information

| | |
|---|---|
| Registered address of the Company | No.1508, Xinzha Road, Jing'an District, Shanghai, the PRC |
| Historical changes of registered address of the Company | In 1996, the Company was established, and its registered address was Everbright Building, No. 6 Fuxingmenwai Avenue, Xicheng District, Beijing, the PRC; In 1997, the registered address of the Company was changed to Shanghai Stock Exchange Building, No. 528 South Pudong Road, Pudong New Area, Shanghai, the PRC; In 2007, the registered address of the Company was changed to No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC |
| Postal code of the registered address of the Company | 200040 |
| Office address of the Company | No.1508, Xinzha Road, Jing'an District, Shanghai, the PRC |
| Postal code of the office address of the Company | 200040 |
| Company website | http://www.ebscn.com |
| E-mail address | ebs@ebscn.com |
| Principal place of business in Hong Kong of the Company | 12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong |

IV. Information Disclosure and Place of Inspection

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

V. Information on the Company's Shares

| Type of shares | Places of listing | Stock name | Stock code |
|----------------|---|-----------------------|------------|
| A Share | Shanghai Stock Exchange | Everbright Securities | 601788 |
| H Share | The Stock Exchange of Hong Kong Limited | EB SECURITIES | 6178 |

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. Key Accounting Information and Financial Indicators of the Company

(I) Key accounting information and financial indicators

(Unless otherwise stated, the accounting information and financial indicators contained in this report are prepared in accordance with IAS)

| Item | January to June 2021 (RMB'000) | January to June 2020 (RMB'000) | Variance as compared to the last corresponding period |
|---|--|--|---|
| Operating results | | | |
| Revenue and other income | 10,552,662 | 8,950,284 | 17.90% |
| Profit before income tax | 2,981,033 | 2,986,106 | (0.17)% |
| Net profit attributable to shareholders of the Company | 2,262,277 | 2,151,890 | 5.13% |
| Net cash generated from/(used in) operating activities | 2,680,916 | (329,554) | 913.50% |
| | (RMB/share) | (RMB/share) | |
| Earnings per share | | | |
| Basic earnings per share | 0.48 | 0.47 | 2.13% |
| Diluted earnings per share | 0.48 | 0.47 | 2.13% |
| Index of profitability | | | |
| Weighted average returns on net assets (%) | 4.29% | 4.44% | Decreased by 0.15 percentage point |
| Scale indices | | | |
| Item | As at June 30, 2021 (RMB'000) | As at December 31, 2020 (RMB'000) | Variance as compared to the end of the last corresponding period |
| Total assets | 246,100,593 | 228,736,384 | 7.59% |
| Total liabilities | 188,720,279 | 175,541,283 | 7.51% |
| Accounts payable to brokerage clients | 67,716,111 | 60,102,708 | 12.67% |
| Equity attributable to shareholders of the Company | 56,592,480 | 52,448,880 | 7.90% |
| Total equity of owners | 57,380,314 | 53,195,101 | 7.87% |
| Total share capital ('000 shares) | 4,610,788 | 4,610,788 | – |
| Net assets per share attributable to shareholders of the Company (RMB/share) | 11.19 | 10.94 | 2.29% |
| Gearing ratio (%) ^(Note) | 67.83 | 68.46 | Decreased by 0.63 percentage point |

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Note 1: Net assets per share is calculated based on owners' equity attributable to shareholders of the listed company less other equity instruments.

Note 2: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

Note 3: 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.

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

Unit: Yuan Currency: RMB

| Item | As at June 30, 2021 | As at December 31, 2020 |
|---|---------------------------|-------------------------------|
| Core net capital | 38,662,973,652.51 | 38,337,555,050.59 |
| Subordinate net capital | 5,000,000,000.00 | 2,000,000,000.00 |
| Net capital | 43,662,973,652.51 | 40,337,555,050.59 |
| Net assets | 58,422,073,242.06 | 54,730,159,173.85 |
| Provisions for risk capital | 13,731,894,883.20 | 14,258,287,766.18 |
| On-balance sheet and off-balance sheet assets | 161,861,515,420.22 | 155,541,720,320.50 |
| Risk coverage ratio (%) | 317.97 | 282.91 |
| Capital leverage ratio (%) | 25.56 | 26.24 |
| Liquidity coverage ratio (%) | 278.25 | 209.17 |
| Net stable funding ratio (%) | 176.00 | 164.25 |
| Net capital/Net assets (%) | 74.74 | 73.70 |
| Net capital/Liabilities (%) | 44.90 | 41.45 |
| Net assets/Liabilities (%) | 60.07 | 56.24 |
| Value of proprietary trading of equity securities and derivative securities/Net capital (%) | 15.21 | 25.27 |
| Value of proprietary trading of non-equity securities and derivative securities/Net capital (%) | 151.64 | 166.95 |

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. Description of the Industry the Company Operated in and its Principal Businesses during the Reporting Period

(I) Market and Industrial Description for the Reporting Period

Facing the complicated and severe economic and financial situation in the first half of 2021, China is seeking progress while maintaining stability in its economy. The momentum of economic development has been further strengthened, and the main macroeconomic indicators are within a reasonable range. According to the National Bureau of Statistics, China's GDP in the second quarter increased by 7.9% year-on-year and 1.3% quarter-on-quarter, and registered an average growth rate of 5.5% in two years. In terms of monetary policy, the growth in the total amount of money, credit and financing has maintained reasonable, the government's support for the real economy has kept stable, and liquidity has remained reasonably sufficient. Various financial policies are issued to strongly support the high-quality economic development, while financial reform and opening up in key areas continue to deepen, and financial services and management levels continue to improve.

China gradually improved relevant systems in the process of deepening capital market reforms, helping to further accelerate capital market reforms. The competition among brokerage firms has become more intense, and the "80-20 rule" has become more significant in investment banking and innovative business fields. As financial technology develops and the foreign capital continues to be injected, requirements has been higher for the financial strength and innovation capabilities of brokerage firms. According to the Securities Association of China, 139 securities firms achieved operating income of RMB232.414 billion during the first half of 2021. In respect of their core operating income, net income from the securities trading agency service business (including trading unit seats rental) was RMB58.04 billion, net income from the securities underwriting and sponsorship business was RMB26.781 billion, net income from the financial advisory services business was RMB3.054 billion, net income from the investment advisory service business was RMB2.401 billion, net income from the asset management business was RMB14.468 billion, net interest income was RMB30.854 billion, and income from the securities investment business (including changes in fair value) was RMB69.788 billion. During the first half of 2021, such firms recorded net profit of RMB90.279 billion, of which 125 securities firms were profitable. As of June 30, 2021, the total assets, net assets, net capital, capital balance of customers' transaction settlement (including margin transaction) and total principal amount of funds under management of the 139 securities firms were RMB9.72 trillion, RMB2.39 trillion, RMB1.86 trillion, RMB1.79 trillion and RMB10.45 trillion, respectively.

Note: All industrial information was retrieved from the public disclosure of the SSE and the SZSE, Wind Info, the Securities Association and the Funds Association

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(II) The Company's principal business and business model

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

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

Institutional customer business segment: The Company earns fee and commission by providing integrated services such as investment research, prime brokerage and custody, customized financial products and package solutions and bond distribution services to institutional clients.

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

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

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

II. Analysis on Core Competitive Strengths during the Reporting Period

(I) Adhere to and enhance the Party leadership and lead the high-quality development with Party building

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company will continuously enhance the "Four Consciousness", persist with "Four Confidences" and endeavor to "Upholding in the Two Aspects". It will fully implement the general requirements on Party building in the new era, practically transform the political advantages, organizational advantages, and mass work advantages on Party building into development advantages and inject red power into the high-quality development of the Company. The Company will integrate the Party leadership into all processes of corporate governance, comprehensively strengthen the promotion of political ideology, earnestly advance the study and education on Party history and strive to draw strength from the one hundred years of history of the Party. It will promote the integration of Party building, disciplinary inspections, tour inspections, compliance and risk control, implement the requirements on strictly ruling the Party in all aspects and create a clean and upright development atmosphere.

(II) Shareholder's strong background and unique red genes

Everbright Group, the controlling shareholder of Everbright Securities, was promoted and established by the MOF and Huijin Company. It has a complete set of financial services licenses and featured businesses related to people's livelihood. China Everbright Group is a state-owned large-scale comprehensive finance holding group characterized by its overall finance, the integration of industry and finance, the combined advantages of Chinese Mainland and Hong Kong, ranking among the Global 500. Its application for the establishment of a financial holding company has been accepted firstly. The Company always adheres to the red genes of the Group and unswervingly takes the development path of building a first-class

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

securities firm with Chinese characteristics. It is devoted to serving people's increasing demands for upgraded wealth management and the direct financing demands of real economies, undertakes responsibilities and missions of central enterprises and enjoys a high social reputation and credit. During the Reporting Period, the Company's investment bank introduced the first mutual REITs on water in the PRC and other innovative products, the first ABN program on state subsidy tariffs as well as the first corporate bond on technological entrepreneurship of central enterprise groups.

(III) Distinctive synergy in establishing the customer ecosystem

Everbright Group has built up the six E-SBU (Strategic Business Units) coordinated development mechanism of "wealth, investment, investment banking, tourism, healthcare and environmental protection" and promoted the sharing of resources with the Group to develop a world-class financial holdings group with Chinese characteristics. The Company has led the establishment of the "big investment banking E-SBU" and deeply participated in the establishment of great wealth, great investment, great environmental protection and other featured E-SBU to fully mobilize resources within the Group and support its own business development. Meanwhile, The Company will building an ecosystem of coordinated business development and provide diversified, integrated and one-stop financial products and services to domestic and overseas customers under the "customer-centric" operational philosophy. Full onshore and offshore coordination and distinctive ecosystem of coordination continuously provide drivers to the Company to deepen customer drainage, reinforce cross sales and provide high value-added services.

(IV) Class-A appraisal on cultural construction and talents to hold positions through competition

The Company actively practiced the culture concept of "compliance, integrity, professionalism and prudence" and deepened the leading role of Party building and cultural empowerment. It obtained Class-A appraisal in the assessment on the practice of cultural construction of securities firms in 2020. Currently, the Company continues to develop core values and established a cultural system with "Four Cores and Eight Backbones" with the new culture of Everbright as genes and marketization as the orientation, achieving outstanding results in cultural construction. Meanwhile, the Company vigorously advanced the reform of "Eight Capability", strengthened the tenure system management and performance appraisal on cadres and further highlighted the value orientation of talents. It fully advanced the "7, 8, 9" project and broke bottlenecks on the development of young talents. Various "post-1985" and "post-1990" business cadres took management positions. Currently, the Company has new talents and the carder team is high-efficient. Over 70% of medium cadres hold master's degree and above.

(V) Scientific and technological strength gradually enhanced and wealth management driven by innovation

The Company increased R&D inputs year by year, continued to empower business development, operation management and intensive management and control and actively promoted the transformation of the wealth management business. As one of the core members of Everbright Group, the Company shares the wealth management gene and brand value of a national big financial holding platform. In recent years, the Company stably improved services and increasingly enhanced the innovation ability for the wealth business. It was included in the whitelist of the CSRC, obtained the qualification for pilot on public funds investment advisory business and was awarded the 3rd New Fortune Best Investment Advisor and other honors. The cross-border synergy of the Company was significantly boosted after it obtained the controlling interests in Everbright SHK. Its overseas wealth management business maintained the leading position. It was awarded the prize of the "Best Broker in Hong Kong" of the Caijing Magazine for the fourth time and was awarded the "Prize for the Best Financial Services in the Guangdong-Hong Kong-Macao Greater Bay Area" as well as four prizes at the "Prizes for Financial Institutions in 2021" by Bloomberg Businessweek.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. Discussion and Analysis on Business Operation

In the first half of 2021, the Company steadily advanced the building of wealth-management-oriented investment banking, industry-service-oriented investment banking and transaction-service-oriented investment banking, continuously expanded the customer base and advanced in-depth regional penetration and the management model of professional teams in the industry. The Company further consolidated the development basis, achieved breakthroughs in innovative businesses, resulting in continuous increase in principal operational indicators. During the Reporting Period, the Company realized accumulative revenue and other income of RMB10,550 million, representing a year-on-year increase of 17.90%; net profit attributable to the shareholders of the listed company of RMB2,260 million, representing a year-on-year increase of 5.13%. The Company was awarded the “Outstanding Institution in Fixed Income Business Innovation in 2020” by the SZSE, the “Outstanding Underwriter for Local Government Bonds in 2020” by the SSE, the 3rd New Fortune Best Investment Advisor, the 7th Securities and Futures Science and Technology Awards and other honors.

The Company’s main business includes wealth management business segment, corporate financing business segment, institutional customer business segment, investment trading business segment, asset management business segment and equity investment business segment.

Table 1 Table of the main business segments

Unit: RMB' 000

| Main business segments | January to June 2021 | | | | January to June 2020 | | | |
|---------------------------------|----------------------|------------|------------------|------------|----------------------|------------|------------------|------------|
| | Segment revenue | | Segment expenses | | Segment revenue | | Segment expenses | |
| | Amount | Percentage | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| Wealth management business | 6,126,956 | 58% | 4,701,244 | 62% | 3,762,841 | 42% | 2,704,654 | 45% |
| Corporate financing business | 1,235,729 | 12% | 483,657 | 6% | 1,399,945 | 16% | 756,912 | 13% |
| Institutional customer business | 595,605 | 6% | 155,840 | 2% | 567,492 | 6% | 217,973 | 4% |
| Investment trading business | 208,990 | 2% | 264,908 | 3% | 1,174,138 | 13% | 272,796 | 5% |
| Asset management business | 777,785 | 7% | 390,660 | 5% | 1,062,978 | 12% | 568,341 | 9% |
| Equity investment business | 533,700 | 5% | 587,751 | 8% | 48,299 | 1% | 371,683 | 6% |

(I) Wealth management business segment

The Company’s wealth management business segment mainly comprises retail business, margin financing and securities lending, stock pledge business, futures brokerage business and overseas wealth management and brokerage business.

In the first half of 2021, this business segment achieved revenue of RMB6.1 billion, accounting for 58% of the Group’s total revenue.

1. Market environment

In the first half of 2021, securities trading volume and activity in the A-share market continued to increase and the average daily turnover of stock bases increased by 21% year-on-year; the two drivers of stock trading and product sales has been promoted hand-in-hand and the wealth management industry has shown the hierarchical competition pattern. With the initiation of the era of stock competition and online transaction services, the competition on attracting customers online became increasingly fierce. The outstanding performance of professional institutional investors represented by public funds has driven the rapid growth of financial institutions’ sales of financial products and other business income. With the obtaining of the qualification for the second batch on public funds investment advisory business, the transformation of the wealth management business sped up. The Hong Kong stock market continued to fluctuate and the Hang Seng Index hiked by 5.86%.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the scale of margin financing and securities lending in the entire market increased substantially while the scale of stock pledge continued to decline. As of the end of June 2021, the balance of margin financing and securities lending in the market was RMB1,784.2 billion, an increase of 10.20% from the end of 2020. Among them, the margin financing balance was RMB1,628.2 billion, an increase of 9.87% from the end of 2020, and the securities lending balance was RMB156.0 billion, an increase of 13.87% from the end of 2020. The lending of proprietary funds of securities companies in stock pledge was RMB264.9 billion, a decrease of 11.96% from the end of 2020.

According to statistics from the China Futures Association, in the first half of 2021, the accumulated turnover and the accumulated trading volume in the national futures market recorded a year-on-year increase of 73.05% and 47.37%, respectively. Customers' equity historically exceeded RMB1 trillion as at the end of the period.

2. *Operational measures and performance*

(1) **Retail business**

In the first half of 2021, the Company's retail business continued to promote marketing activities such as "Wining at the Beginning" and "Striving for the Best" and enhanced the building of marketing teams to facilitate the growth of proxy sales and the transformation of revenue model. It recorded year-on-year increases in the amount of proxy sales of products, the stock products and the number of accounts with purchase of products, continuously achieving effects in the transformation of the wealth management business. In the first half, the Company recorded a total amount of RMB25,230 million from proxy sales of products, representing a year-on-year increase of 68%. Among them, the amount of equity public and private placement products was RMB14,342 million and RMB6,731 million, representing a year-on-year increase of 53% and 556%, respectively. According to the statistics of the Asset Management Association of China and as at the end of June, the total scale of the stock + hybrid mutual funds of the Company was RMB21.2 billion and the total scale of mutual funds in the non-monetary market was RMB22.6 billion. The Company actively developed settlement fund products of featured securities companies. The total scale of settlement fund products of securities companies exceeded RMB5 billion. In the first half, the Company was granted the qualification for pilot on public funds investment advisory business, laying the fundamental for deeply advancing professional investment advisory services. The Company vigorously practiced the transformation of the wealth management business with the focus on "product systems, allocation systems and investment advisory systems". Firstly, it established a financial product system covering all products, including equity, quantitative, macro, FOF, fixed income, CTA, snowballs and cash management, introduced 84 products. Secondly, it developed the Golden Sunshine 30 asset allocation system and provided drivers to the high-net-worth customer services of branches. Thirdly, it built the team system on Golden Sunshine investment advisory products. It established the "N+1+1+1" service system covering the headquarters-investment advisory team-wealth managers-customer systems and launched investment advisory information, investment advisory consultancy, investment portfolios, live streaming on investment advisory and other various products and services. It consistently advanced support systems to the empowerment of fintech and introduced the "Lehigh Hongking Strategic Trading Platform" to deepen the application of technology, optimize customer experience and establish the "technology + scenario" marketing system.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of June 2021, the Company's market share (including seat leasing) of net income from securities trading on behalf of customers was 2.03%, ranking the 16th in the market, the same as the end of the previous year. According to Analysys, the monthly activity of Golden Sunshine APP was 2.54 million. 378,000 new accounts were opened in the first half, an increase of 80.95% year-on-year. The total number of customers reached 4.48 million, an increase of 8.74% from the end of 2020, and customer assets increased to RMB1.32 trillion.

(2) Margin financing and securities lending business

In the first half of 2021, the Company's margin financing and securities lending business actively seized market opportunities to strengthen its leading position in marketing, establish a differentiated price management system, prudently control risks, expanded customers and strategies and broadened sources and channels of securities, thus achieving stable growth in the scale of margin financing and securities lending business. As of the end of June 2021, the Company's margin financing and securities lending balance was RMB45.568 billion, an increase of 4.42% over the end of 2020; the market share was 2.55%, a decrease of 0.15 percentage point over the end of 2020. The Company's securities lending balance was RMB2.948 billion, an increase of 20.27% over the end of 2020; the market share of the securities lending business was 1.83%, an increase of 0.05 percentage point over the end of 2020.

(3) Stock pledge business

In the first half of 2021, in respect of the stock pledge business, the Company strictly controlled the quality of projects, elaborately selected projects to reduce risks, adjust the structure and cutting down the scale, and enhanced management after the issuing of loans. As of the end of June 2021, the Company's stock pledge balance was RMB5.769 billion, a decrease of 3.82% from the end of 2020. Of which, the balance of the Company's own funds was RMB3.495 billion, a decrease of 15.25% from the end of 2020. The weighted average performance guarantee ratio of the Company's stock pledge projects was 167.41%, while the weighted average performance guarantee ratio of self-funded projects was 200.07%.

(4) Futures brokerage business

The Company mainly develops future brokerage business through its wholly-owned subsidiary, Everbright Futures. In the first half of 2021, Everbright Futures firmly seized opportunities in market expansion, adhered to the institutional development strategy, unswervingly advanced towards the orientation of business innovation and transformation and continuously developed the asset management business and the risk management business with the characteristics of futures. Customer interests continued hiking to new highs.

In the first half of 2021, Everbright Futures achieved an average daily margin of RMB18.8 billion, an increase of 75.4% year-on-year; and a market share of 2.69% in trading volume, an increase of 0.25 percentage point from the end of 2020. The trading volume of Everbright Futures represented 1.54%, 2.02%, 3.92%, 4.00% and 1.49%, respectively, of the total trading volume of China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and the Energy Center. The cumulative market share of stock options trading of Everbright Futures in SSE was 2.21% in January to June 2021, an increase of 0.48 percentage point year-on-year.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(5) Overseas wealth management and brokerage business

Overseas wealth management and brokerage business continued to improve the quality of products and services and accelerated in promoting the transformation of wealth management. As of the end of June 2021, the total number of overseas wealth management products of the Company was over 2,500 and the total number of overseas securities brokerage customers was 142,000. The total amount of client assets under custody was HK\$137.356 billion, the market share of its trading and brokerage business on the Hong Kong Stock Exchange was 0.37%, and the total margin financing was HK\$6.957 billion. It was awarded several prizes, such as the prize for outstanding wealth and stock management platform of financial institutions and the prize for outstanding securities companies of the year by the Bloomberg Businessweek/Chinese Version.

3. Outlook for 2021

In the second half of 2021, the Company's retail business will deepen channel building and expand the scale of customers; expand new growth, deepen existing market and strengthen the expansion of asset scale; develop featured product systems, conduct lean hierarchical management of marketing and service systems and strive to speed up in the expansion of asset scale; accelerate in improving digital technology, enhance the digital operation capability, develop platform-based drivers and support the enhancement of transformation efficiency; deeply penetrate in profession investment advisory services, build Everbright's wealth management brands and display the advantages on internal and external synergy and promote transformation and development.

For the margin financing and securities lending business, the Company will focus on "high-quality development", strengthen the control of substantial risks, boost the application of technological means and focus on professional institutional customers and high-net-worth customers to consistently improve professional services and customer experience. For the stock pledge business, the Company will focus on its core customers, constantly improve the capability to provide comprehensive services, strictly control the quality of projects and serve the financing demands of small and medium enterprises. Everbright Futures will boost efforts in the development of institutional and industrial customers; continue to expand the scale of customer equity and the share in the trading market; improve the risk management system and steadily develop innovative businesses. For the overseas wealth management and brokerage business, it will enhance the support to researches on focus products, perfect the customer hierarchical management, focus on expanding high-net-worth customer groups and improve customer experience.

(II) Corporate financing business segment

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

In the first half of 2021, the business segment achieved business income of RMB1.2 billion, accounting for 12% of the Company's total revenue.

1. Market environment

In the first half of 2021, the equity financing business faced both opportunities and challenges. With the steady progress of the comprehensive reformation on the registration-based IPO system in the capital market and the increasingly strict regulatory environment, regulatory policies with "strong regulation and zero tolerance" further strengthened the primary responsibilities of sponsor institutions. According to Wind data, as of the end of June 2021, the total amount of funds raised in the A-share market was RMB787.469 billion, representing a year-on-year increase of 21.39%. The amount of IPO funds raised was RMB210.950 billion, representing a year-on-year increase of 51.46%. The number of IPOs was 245, representing a year-on-year increase of 105.88%.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

The bond underwriting business continued to show the trend of flowing into leading securities firms. The bond underwriting scale of securities companies was RMB5.11 trillion in the first half, representing a year-on-year increase of 16.67%.

In the first half, the total amount of IPO funds raised in the Hong Kong market was HK\$214.3 billion, representing a year-on-year increase of 131%. The number of IPOs was 46, representing a year-on-year decrease of 22%. Six large IPOs (projects with US\$1 billion or above raised) accounted for approximately 67% of the total amount of IPO funds raised through the main board. The issuance size in the Chinese-funded offshore bonds market was US\$147.764 billion.

2. *Operational measures and performance*

(1) **Equity financing business**

In the first half of 2021, the Company accelerated the professional transformation of the equity financing business. It newly established the Financing Department on Manufacturing and Emerging Industries and deeply penetrated into key customers, key industries and key areas. It deepened researches on industries, improved and strengthened teams and leveraged on coordinated empowerment to facilitate business development. According to Wind data, the Company's accumulated equity underwriting scale was RMB9.455 billion, an increase of 25.56% year-on-year, and its market share was 1.26%, an increase of 0.09 percentage point compared with the same period last year. Of which, the IPO financing scale was RMB7.099 billion in the first half, ranking the 9th in the industry and representing an increase of 29.88% year-on-year. It has acted as the lead underwriter for 12 equity financing projects. It has acted as lead underwriter for 8 IPO projects. According to the data of the Securities Association of China, the net income from the investment banking business of the Company ranked the 7th in the industry in the first half. The Company has abundant projects in its pipeline, with 20 IPOs being reviewed by official supervision organs. It has 8 refinancing and M&A reserve projects.

(2) **Debt financing business**

In the first half of 2021, the Company conducted in-depth development in key areas for the debt financing business. It boosted efforts in the development in Beijing-Tianjin-Hebei, the Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area and other core areas and optimized services to consistently consolidate the strength in undertaking advantageous categories. It promoted the development of local government bonds, asset securitization and other products to satisfy the diversified financing demands of customers.

In the first half, the underwriting amount of corporate bonds was RMB191.656 billion and the number of projects was 525 with a market share of 3.81%, ranking the 7th in the industry. And the underwriting amount of asset securitization business was RMB51.815 billion, with a market share of 5.29%. The number of projects was 228, ranking the 9th in the industry. The underwriting amount of local government bonds was RMB40.335 billion and the number of projects was 127, ranking the 6th in the industry and 1 place higher year-on-year. According to the data of the Securities Association of China, the Company ranked the 5th in the industry among securities companies in terms of the underwriting income from corporate bonds in the first half. In terms of innovative financing projects, the Company implemented the first batch of corporate bonds on carbon neutrality on stock exchanges in the PRC and other innovative products.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Table 2: The underwriting amount, number and ranking of issued projects of major types of bond of the Company

| Type of bonds | Underwriting amount (RMB100 million) | Number of issued projects | Industry ranking |
|--|---|---------------------------------|---------------------|
| Interbank products (including medium-term notes, short-term financing bonds and private placement notes) | 251.09 | 65 | 3 |
| Corporate bonds | 394.04 | 79 | 11 |
| Asset securitization | 518.15 | 228 | 9 |
| Non-policy financial bonds | 343.68 | 24 | 10 |
| Local government bonds | 403.35 | 127 | 6 |
| Others | 6.25 | 2 | - |

Note: Others include the corporate bonds and exchangeable bonds.

(3) Overseas investment banking business

In the first half of 2021, the Company completed 2 equity underwriting projects, 15 bonds underwriting projects and 3 compliance advisory projects for the overseas investment banking business. It actively expanded the equity and bond capital market underwriting projects, and increased reserves for sponsoring projects.

(4) Financial leasing business

The Company promotes its finance lease business mainly through Everbright Leasing. In the first half of 2021, Everbright Leasing adhered to professional operations and prudently selected investment projects with low industrial risks and high asset quality. During the Reporting Period, it launched 6 new projects with an investment of RMB400 million to consistently serve the real economy. As of the end of June 2021, the existing scale of investment was RMB2.49 billion, representing a decrease of 17.3% as compared with the end of 2020.

3. Outlook for 2021

In the second half of 2021, the Company, in terms of equity financing business, will consolidate the fundamentals for the core IPO business, improve the conversion rate of IPO projects, enrich project reserves and balance the expansion of refinancing and M&A businesses. It will continue to deeply develop in regional markets and conduct in-depth research on industries, fully seize development opportunities in key areas and leverage on existing industrial advantages for continuous development and to further improve the brand influence of investment banking in the industry. It will promote the business models of "investment banking + commercial banks", "investment banking + investment" and "investment banking + platforms" through coordinated empowerment and serve the transformation of the industry towards serving the real economy through the provision of comprehensive financial services covering full industrial chains to customers.

In terms of debt financing business, the Company will adhere to the big customer strategy, deeply tap into customer resources and seize market opportunities with its business innovation capability. It will continue to consolidate undertaking strength in advantageous categories and achieve balanced development of major categories; boost the expansion of asset securitization and mutual REITs on infrastructure; continuously expand the business size, strive to achieve the full coverage of business teams in key areas and further develop in key areas to improve the competitiveness of regional businesses.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

For overseas investment banking business, the Company will gradually balance the proportion of different types of customers and carry out all-dimensional cooperation and linkage with inter-bank institutions with the issuance of bonds of financial institutions as an opportunity. In terms of equity financing business, the Company will focus on TMT, biomedical and other industries to develop with two-wheel-driven force.

(III) Institutional customer business segment

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

In the first half of 2021, the business segment realized revenue of RMB600 million, accounting for 6% of the Group's total revenue.

1. Market environment

In the first half of 2021, the market competition was increasingly intensified. Under the general background of industrial transformation, the revenue model of commission allocation currently remains the core business of the institutional business of various securities companies. The investment research is still the core competitiveness. Securities companies have adopted diversified strategies in the investment research market to seize the market share. The total management scale of private equity institutions has recorded steady growth and successive establishment of subsidiaries engaged in bank wealth management has further expanded the development space for prime brokerage business and will further promote the expansion of the custodian and outsourcing business in the field of private funds of securities companies. In the first half of 2021, 1,024 mutual funds were issued while the custodian proportion of securities companies was less than 7.5%. A total of 26 securities companies obtained the qualification for the custodian of mutual funds and the competition in the industry was increasingly intensified.

2. Operational measures and performance

(1) Institutional trading business

In the first half of 2021 and in terms of the institutional trading business, the Company focused on customer demands, enhanced marketing planning, specified priorities in services, enriched the methods of customer services and innovated the models of customer services to consistently improve the capability to serve institutional customers and strive to build the service brand of Everbright. While consolidating the traditional core businesses, it actively explored business innovation and strived to expand sources of revenue. From January to June 2021 and driven by the growth in fund trading, the income from seats commission of the Company recorded a year-on-year increase of 29.60%. The market share of net income from seats commission of the Company was 3.02%, representing a year-on-year decrease of 0.57 percentage point. The internal market share of mutual fund trading commission amounted to 3.21%, representing a year-on-year decrease of 0.34 percentage point.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(2) Prime brokerage business

In the first half of 2021 and in terms of the prime brokerage business, the Company focused on exploring the demands of commercial banks and wealth management subsidiaries, private equity institutions, trust institutions and other financial institutions and provided an all-round, high-quality and one-stop integrated services with investment research, financial product evaluation and capital intermediary, FOF/MOM investment and system trading as the core to improve the market brand. As of the end of June 2021, the Company had cumulatively cooperated with a total of 1,202 private equity institutions, representing a year-on-year increase of 18.66%, introduced a total of 3,460 PB products, representing a year-on-year increase of 34.47%. There were 1,722 existing PB products, representing a year-on-year increase of 23.62%.

(3) Asset custodian and outsourcing business

In the first half of 2021, the Company fully displayed the full-chain advantages of the institutional business for the asset custodian and outsourcing business, focused on the expansion of custodian and outsourcing business on mutual funds and other securities products, consolidated the outsourcing business on the registration of trust shares and strived to achieve intensive operation of funds.

As of the end of June 2021, the scale of custodian of the Company was RMB21.4 billion, an increase of 210.14% from the end of 2020. The scale of private equity fund outsourcing services was RMB72.0 billion, an increase of 56.18% from the end of 2020. The scale of trust share registration services amounted to RMB218.2 billion, an increase of 10.59% from the end of 2020.

(4) Investment research business

In the first half of 2021, the Company focused on “developing Everbright branded research products” in the investment research business. It held the online strategy conference in the spring of 2021, the fourth “Achieving Results in Hong Kong and US Stocks” investor communications summit and other large-scale activities. It released 2,201 research reports, including 123 in-depth reports, and completed 8,031 institutional customer services, including 7,778 roadshows and anti-roadshows and 241 inspections. It also launched the “initiation of the global Juglar Cycle”, “carbon neutrality” and theme researches.

(5) Financial innovation business

In the first half of 2021, the Company established the head office on the financial innovation business to be responsible for OTC derivatives, market maker, quantitative strategy and other businesses. The business operation was under smooth progress in the first half and set up systems, processes and standards on business operation, achieving sound progress in OTC derivatives and market maker businesses and steadily expanding the business scale.

(6) Overseas institutional sales business

In the first half of 2021, the Company introduced 10 new institutional customers for the overseas institutional sales business. It continued to revitalize the transactions with existing customers and business exploration and promoted the establishment of diversified ecosystem on business cooperation with quality fund customers.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3. *Outlook for 2021*

In the second half of 2021, the Company will concentrate advantageous resources, focus on key customers, boost investment in services and further consolidate the mutual funds and insurance business for the institutional trading business. It will efficiently leverage on the resources of the Company, enhance the in-depth cooperation with institutional customers and actively explore new cooperation models.

For the prime brokerage business, the Company will closely fit the external market environment, continue to focus on exploring and serving the demands of commercial banks and wealth management subsidiaries, private funds, trusts and other financial institutions and provide closed-loop services covering extensive financial customers through the integration of research, transaction, fund-raising, capital intermediary and other services and resources to constantly improve the customer stickiness and promote the comprehensive revenue growth.

For the asset custodian and outsourcing business, the Company will expand the custodian business on exchange-traded index fund and active fund products and expand the trust outsourcing business with family trust, TOF and standard product trust as breakthroughs to consistently improve the operation efficiency, automation, online operation and overall professional capability on trust outsourcing.

For the investment research business, the Company will gather research forces, enhance featured research and focus on the cultivation of seven research orientations, namely macro economy and strategy, overseas markets, big finance, new energy, hard technology, medical biology and big consumption, and boost the research on serving the real economy.

For the financial innovation business, the Company will vigorously expand OTC business channels, optimize systems and instruments and expand new business models to achieve stable growth.

(IV) *Investment trading business segment*

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

In the first half of 2021, the business segment realized income of RMB200 million, accounting for 2% of the Group's total revenue.

1. *Market environment*

In the first half of 2021, the fundamentals of the domestic economy continuously recovered and the policies gradually returned neutrality. The secondary equity market fluctuated significantly with the structure continuously differentiated. High-quality core assets with high valuation experienced significant declines after the high increase in the previous period. As of the end of June 2021, The SSE Composite Index, the CSI 300 Index and the ChiNext Price Index recorded an increase of 3.40%, 0.24% and 17.22%, respectively.

In respect of the bond market, under the expectation on market looseness at the beginning of the year, the short-term liquidity demand increased rapidly. The interest rate in the monetary market hiked significantly and the yield rate in the bond market recovered obviously. Since the second quarter, the central bank has maintained a balanced operation in the open market, and the interest rate of monetary capitals has plunged significantly. Under the background that the economy is generally stable and the upward pressure on CPI is not great, the bond market gradually recovered.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

2. *Operational measures and performance*

(1) **Proprietary equity investment business**

In the first half of 2021 and in terms of for the proprietary equity investment business, the Company always adhered to the investment concepts, integrated research resources, improved the investment research system and closely maintained the tracking and study on portfolio targets with the fundamentals as the anchor. Investment returns fluctuated due to the violent fluctuation of stock market.

(2) **Proprietary fixed income investment business**

In the first half of 2021 and in terms of the proprietary fixed income investment business, the Company adjusted its trading strategy in a timely manner to better grasp the interest rate window, achieving sound investment returns. Meanwhile, it strictly controlled credit risk, renewed high-quality and qualified credit bonds, appropriately increased the allocation of convertible bonds, vigorously and carefully participated in mutual REITs and other investment businesses, constantly enhanced its research capabilities, consolidated its credit rating capabilities and optimized its overall position structure.

3. *Outlook for 2021*

In the second half of 2021, the Company will continue to focus on quality targets with long-term sustainable growth for the proprietary equity investment business, advance the high-quality and standard investment research work, seize structural investment opportunities and strive to create stable investment returns. For the proprietary fixed income investment business, the Company will continue to enhance the investment research capability, pay close attention to market dynamics and appropriately adjust the position structure. It will strictly control credit risks, grasp opportunities in the convertible bond market and ensure the increase in investment results amid stability.

(V) **Asset management business segment**

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

In the first half of 2021, the business segment realized income of RMB800 million, accounting for 7% of the Group's total revenue.

1. *Market environment*

In the first half of 2021, the transformation of securities companies further accelerated. Securities companies actively established asset management subsidiaries, applied for the qualification for the mutual fund management business and sped up in the public offering transformation of massive collective products. Asset management institutions consistently innovated the product systems and enriched the asset allocation strategies. The competition in the asset management industry will be further intensified under the trend of unified regulatory rules in the future. According to the statistics of the Securities Association of China, 96 securities companies realized a net income of RMB14.468 billion from the asset management business in the first half.

As of the end of June 2021, the AUM of mutual funds amounted to RMB23.03 trillion, excluding ETF feeder funds, representing an increase of 15.03% from the end of 2020. Driven by the recovery of the capital market and the acceleration in the issuance of equity-type products of mutual funds, the size of mutual fund management showed a trend of growth.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

2. *Operational measures and performance*

(1) **Asset management business**

The Company mainly conducts asset management business through its wholly-owned subsidiary, Everbright Asset Management. In the first half of 2021, Everbright Asset Management continued to focus on the active management capability, reinforce the investment research capability, further enrich the talent team, optimize the cooperation model and actively deployed diversified strategic products. Everbright Asset Management promoted the public offering transformation of massive collective products in an orderly manner in strict compliance with regulatory requirements. As of the end of June, a total of 14 massive collective products have obtained regulatory approvals, ranking the first in the industry in terms of the public offering transformation rate of massive collective products. It further advanced the layout on equity products and conducted the secondary offerings of 3 massive collective products after the public offering transformation and raised a total of over RMB4.0 billion. It vigorously developed the institutional business, further expanded and deepened the cooperation with wealth management subsidiaries of commercial banks and asset management departments of banks and expanded the cooperation in the outsourcing business with small and medium banks and high-quality corporate customers.

As of the end of June 2021, the total AUM of Everbright Asset Management amounted to RMB267.7 billion, representing an increase of 14.59% from the end of 2020. The assets under active management amounted to RMB222.6 billion, representing an increase of 27.76% from the end of 2020, and the scale of the assets under active management accounted for 83.15% in the total asset of AUM, representing an increase of 8.57 percentage points from the end of 2020.

(2) **Funds management business**

The Company mainly conducts funds management business through its controlling subsidiary, Everbright Pramerica. In the first half of 2021, Everbright Pramerica enhanced the cooperation with proxy sales channels and explored new cooperation channels, boosting the increase in the issuance and existing number of equity products. The product layout was continuously improved and the passive business achieved rapid development. As of the end of June 2021, the total AUM of Everbright Pramerica amounted to RMB133.407 billion, of which, the scales of AUM of mutual funds, special accounts and subsidiaries were RMB96.072 billion, RMB11.467 billion and RMB25.868 billion, respectively. The size of mutual funds excluding currency wealth management was RMB73.5 billion, representing a decrease of 7% from the end of 2020. The size of stock funds was RMB6.7 billion, representing an increase of 47% from the end of 2020.

(3) **Overseas asset management**

As of the end of June 2021, the overseas AUM amounted to HK\$3.58 billion, of which, the size of assets under active management was HK\$2.76 billion, representing an increase of 13.2% from the end of the previous year. "Everbright Income Focus Fund" was granted the five-star rating by Morningstar in Hong Kong and received additional subscription of over US\$2.50 million. "Everbright Anti-Pandemic Investment Fund" received additional large-sum subscription and realized the growth of the size of the fund.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3. *Outlook for 2021*

In the second half of 2021, Everbright Asset Management will actively promote the transformation of public offering of existing massive collective products and the standardization of existing private equity business based on regulatory requirements and complete the steady transformation. It will vigorously develop the institutional business and further enhance the capability in product creation and strategic innovation to improve customer experience, enhance the customer loyalty and provide them with high-quality comprehensive asset management services.

Everbright Pramerica will further reinforce the construction of investment research teams, promote the acceleration in the issuance of retail products and further expand the scale of equity products under management. It will enrich the product layout and expand the cooperation with proxy sales channels.

The overseas asset management business will refine the portfolio management, strengthen the construction of retail channels, actively expand institutional customers and continue to expand QDII, QFII/RQFII and discretionary investment businesses to facilitate onshore and offshore synergy.

(VI) *Equity investment business segment*

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

In the first half of 2021, the business segment realized income of RMB500 million, accounting for 5% of the Group's total revenue.

1. *Market environment*

In the first half of 2021, the private equity investment fund market showed the trend of continuous growth. As of the end of June 2021, the number of existing private fund managers was 24,476. The number of funds under management was 108,848. The scale of funds under management was RMB217.89 trillion.

2. *Operational measures and performance*

(1) Private fund investment and financing business

The Company mainly conducts private fund investment and financing business through its wholly-owned subsidiaries, Everbright Capital and Everbright Development. In the first half of 2021, for direct investment projects and existing fund business, Everbright Capital took proactive measures to rectify such business to ensure they are in line with the regulatory requirements and strengthened post-investment management of the existing investment projects, properly solving risks. Everbright Development continued to promote the stable business development, strived to ensure the stable operation of existing products and steadily advanced the withdrawal of projects. As of the end of June 2021, Everbright Development and its subsidiary fund management institutions established 4 investment funds on government-enterprise cooperation with a paid-up scale of RMB15.207 billion; and have completed withdrawal from one fund at maturity during the Reporting Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

(2) Alternative investment business

The Company mainly conducts alternative investment business through its wholly-owned subsidiary, Everbright Fortune. In the first half of 2021, Everbright Fortune reshaped business positioning and actively promoted and implemented relevant work on follow-up investment in the Sci-tech Innovation Board. During the Reporting Period, there were two additional companies in which it made follow-up investment on the Sci-tech Innovation Board. As of the end of June 2021, it has completed follow-up investment in nine companies on the Sci-tech Innovation Board. In terms of post-investment management, Everbright Fortune vigorously strengthened the construction of post-investment management staff and implemented refined post-investment management to ensure the safe and orderly withdrawal of projects.

(3) Overseas structured financing business

The overseas structured financing business is devoted to developing the coordinated integration of domestic and overseas businesses. As of the end of June 2021, the overseas structured financing business had 5 existing projects with an investment balance of approximately HK\$1.280 billion.

3. Outlook for 2021

In the second half of 2021, the Company will expand new businesses through coordination for the equity investment segment. It will facilitate the synergy of "investment banking + investment" and "investment + research" and optimize the decision-making mechanism on internal investment. It will enhance the full-process lean management after investment and advance the exit of existing projects.

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

Table 3 Major revenue items

Unit: RMB' 000

| Item | January to June 2021 | | January to June 2020 | | Increase/decrease | |
|--------------------------------|----------------------|------------|----------------------|------------|-------------------|------------|
| | Amount | Proportion | Amount | Proportion | Amount | Percentage |
| Fee and commission income | 4,484,480 | 42% | 4,333,221 | 48% | 151,259 | 3% |
| Interest income | 3,176,027 | 30% | 2,812,068 | 31% | 363,959 | 13% |
| Net investment gains | 814,623 | 8% | 1,410,517 | 16% | (595,894) | (42)% |
| Other income and gains | 2,077,532 | 20% | 394,478 | 5% | 1,683,054 | 427% |
| Total revenue and other income | 10,552,662 | | 8,950,284 | | 1,602,378 | 18% |

In the first half of 2021, total revenue and other income of the Company amounted to RMB10.55 billion, representing a year-on-year increase of 18%.

In particular, fee and commission income amounted to RMB4.48 billion, representing a year-on-year increase of 3%, which was mainly due the increase in stock trading volume.

Interest income amounted to RMB3.18 billion, representing a year-on-year increase of 13%, which was mainly due to the increase of interest incomes from margin financing and securities lending.

Net investment gains amounted to RMB0.81 billion, representing a year-on-year decrease of 42%, which was mainly due to the fluctuation in directional investment performance.

Other income and gains amounted to RMB2.08 billion, representing a year-on-year increase of 427%, which was mainly due to an increase of income from commodities.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Table 4 Major expenditure items

Unit: RMB' 000

| Item | January to June 2021 | | January to June 2020 | | Increase/decrease | |
|--|----------------------|------------|----------------------|------------|-------------------|------------|
| | Amount | Proportion | Amount | Proportion | Amount | Percentage |
| Fee and commission expenses | 704,803 | 9% | 669,397 | 11% | 35,406 | 5% |
| Interest expenses | 1,894,900 | 25% | 2,007,752 | 33% | (112,852) | (6)% |
| Staff costs | 2,057,391 | 27% | 2,009,323 | 33% | 48,068 | 2% |
| Depreciation and amortization expenses | 290,096 | 4% | 351,819 | 6% | (61,723) | (18)% |
| Tax and surcharges | 37,980 | 0% | 37,818 | 1% | 162 | 0% |
| Credit loss expense | 165,051 | 2% | 183,040 | 3% | (17,989) | (10)% |
| Asset loss expense | 605 | 0% | - | - | 605 | NA |
| Other operating expenses | 2,469,777 | 32% | 749,370 | 13% | 1,720,407 | 230% |
| Total | 7,620,603 | | 6,008,519 | | 1,612,084 | 27% |

In the first half of 2021, total expenses amounted to RMB7.62 billion, representing a year-on-year increase of 27%.

In particular, fee and commission expenses amounted to RMB0.70 billion, representing a year-on-year increase of 5%, which was mainly due to the impact of the increase in stock and fund trading volume of brokerage business, leading to an increase in sync with the increase in fee and commission income.

Interest expenses amounted to RMB1.89 billion, representing a year-on-year decrease of 6%, which was mainly due to the decrease in interest expenses on short-term borrowings;

Staff costs amounted to RMB2.06 billion, representing a year-on-year increase of 2%, which was mainly due to the increase in contributions to pension schemes and other social welfare;

Depreciation and amortization expenses amounted to RMB0.29 billion, representing a year-on-year decrease of 18%, which was mainly due to the decrease in amortization of intangible assets;

Tax and surcharges amounted to RMB40 million, which was basically the same with that of the corresponding period of last year;

Credit impairment loss amounted to RMB0.17 billion, representing a year-on-year decrease of 10%, which was mainly due to the decrease of impairment loss of financial assets held under resale agreements, partially offset by the increase of bad debt loss of other receivables and impairment on margin accounts receivable.

Other operating expenses amounted to RMB2.47 billion, representing a year-on-year increase of 230%, which was mainly due to the increase in cost of the commodities trading business of the Company during the current period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

1. Cash flows

In the first half of 2021, the cash and cash equivalents of the Company recorded a net increase of RMB16.441 billion, of which:

Net cash generated from operating activities amounted to RMB2.681 billion, mainly due to the increase in the accounts payable to brokerage clients and decrease in cash held on behalf of brokerage clients, which was partially offset by the increase in the margin accounts receivable and decrease in the placements from other financial institutions.

Net cash generated from investing activities amounted to RMB1.726 billion, mainly due to the sale of financial instruments at fair value through other comprehensive income.

Net cash generated from financing activities amounted to RMB12.034 billion, mainly due to the issuance of short-term debt financing instruments and the increase in proceeds from bank borrowings in the current period.

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

Unit: RMB' 000

| Item | June 30, 2021 | | December 31, 2020 | | Increase/decrease | |
|---|-------------------|-------------|-------------------|-------------|-------------------|------------|
| | Amount | Composition | Amount | Composition | Amount | Percentage |
| Non-current assets | 34,055,011 | | 32,066,488 | | 1,988,523 | 6.20% |
| Property and equipment | 846,046 | 0.34% | 883,098 | 0.39% | (37,052) | (4.20)% |
| Right-of-use asset | 779,983 | 0.32% | 822,268 | 0.36% | (42,285) | (5.14)% |
| Goodwill | 944,597 | 0.38% | 955,342 | 0.42% | (10,745) | (1.12)% |
| Other intangible assets | 212,101 | 0.09% | 216,240 | 0.09% | (4,139) | (1.91)% |
| Interest in associates and joint ventures | 1,077,842 | 0.44% | 1,093,419 | 0.48% | (15,577) | (1.42)% |
| Financial assets measured at amortized cost | 3,532,565 | 1.44% | 4,188,421 | 1.83% | (655,856) | (15.66)% |
| Investment in debt instruments at fair value through other comprehensive income | 12,911,513 | 5.25% | 12,330,427 | 5.39% | 581,086 | 4.71% |
| Investment in equity instruments at fair value through other comprehensive income | 567,586 | 0.23% | 584,719 | 0.26% | (17,133) | (2.93)% |
| Refundable deposits | 10,265,273 | 4.17% | 7,858,108 | 3.44% | 2,407,165 | 30.63% |
| Deferred income tax assets | 1,844,761 | 0.75% | 1,749,542 | 0.76% | 95,219 | 5.44% |
| Finance lease receivables | 177,161 | 0.07% | 493,234 | 0.22% | (316,073) | (64.08)% |
| Receivables arising from sale-and-leaseback arrangements | 761,243 | 0.31% | 743,093 | 0.32% | 18,150 | 2.44% |
| Other non-current assets | 134,340 | 0.05% | 148,577 | 0.06% | (14,237) | (9.58)% |

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

| Item | June 30, 2021 | | December 31, 2020 | | Increase/decrease | |
|---|--------------------|-------------|-------------------|-------------|-------------------|------------|
| | Amount | Composition | Amount | Composition | Amount | Percentage |
| Current assets | 212,045,582 | | 196,669,896 | | 15,375,686 | 7.82% |
| Accounts receivable | 2,434,036 | 0.99% | 2,848,778 | 1.25% | (414,742) | (14.56)% |
| Finance lease receivables | 867,761 | 0.35% | 1,181,807 | 0.52% | (314,046) | (26.57)% |
| Receivables arising from sale-and-leaseback arrangements | 682,379 | 0.28% | 591,165 | 0.26% | 91,214 | 15.43% |
| Other receivables and prepayments | 2,506,497 | 1.02% | 1,730,997 | 0.76% | 775,500 | 44.80% |
| Margin accounts receivable | 54,695,678 | 22.22% | 46,815,972 | 20.47% | 7,879,706 | 16.83% |
| Investment in debt instruments at fair value through other comprehensive income | 4,120,020 | 1.67% | 5,307,960 | 2.32% | (1,187,940) | (22.38)% |
| Investment in equity instruments at fair value through other comprehensive income | - | - | 4,593,864 | 2.01% | (4,593,864) | (100.00)% |
| Financial assets held under resale agreements | 2,315,458 | 0.94% | 5,279,946 | 2.31% | (2,964,488) | (56.15)% |
| Financial assets measured at amortized cost | 741,401 | 0.30% | 263,541 | 0.12% | 477,860 | 181.32% |
| Financial assets at fair value through profit or loss | 59,165,916 | 24.04% | 58,452,676 | 25.55% | 713,240 | 1.22% |
| Derivative financial assets | 180,936 | 0.07% | 65,946 | 0.03% | 114,990 | 174.37% |
| Clearing settlement funds | 1,568,432 | 0.64% | 1,051,846 | 0.46% | 516,586 | 49.11% |
| Cash held on behalf of brokerage clients | 57,678,623 | 23.44% | 52,378,308 | 22.90% | 5,300,315 | 10.12% |
| Cash and bank balances | 25,088,445 | 10.19% | 16,107,090 | 7.04% | 8,981,355 | 55.76% |
| Total assets | 246,100,593 | | 228,736,384 | | 17,364,209 | 7.59% |
| Current liabilities | 150,964,782 | | 144,799,785 | | 6,164,997 | 4.26% |
| Loans and borrowings | 11,497,303 | 6.09% | 5,939,413 | 3.38% | 5,557,890 | 93.58% |
| Short-term debt instruments issued | 9,289,390 | 4.92% | 10,324,937 | 5.88% | (1,035,547) | (10.03)% |
| Placements from other financial institutions | 10,658,958 | 5.65% | 17,722,781 | 10.10% | (7,063,823) | (39.86)% |
| Accounts payable to brokerage clients | 67,716,111 | 35.88% | 60,102,708 | 34.24% | 7,613,403 | 12.67% |
| Employee benefits payable | 1,457,235 | 0.77% | 1,707,895 | 0.97% | (250,660) | (14.68)% |
| Income tax payable | 581,246 | 0.31% | 1,472,633 | 0.84% | (891,387) | (60.53)% |
| Financial assets sold under repurchase agreements | 23,650,888 | 12.53% | 21,655,857 | 12.34% | 1,995,031 | 9.21% |
| Financial liabilities at fair value through profit or loss | 1,289,393 | 0.68% | 1,996,059 | 1.14% | (706,666) | (35.40)% |
| Derivative financial liabilities | 323,413 | 0.17% | 307,647 | 0.18% | 15,766 | 5.12% |
| MBonds payable due within one year | 17,523,650 | 9.29% | 18,243,518 | 10.39% | (719,868) | (3.95)% |
| Lease liabilities due within one year | 265,853 | 0.14% | 259,666 | 0.15% | 6,187 | 2.38% |
| Contract liabilities | 572 | 0.00% | 765 | 0.00% | (193) | (25.23)% |
| Other current liabilities | 6,710,770 | 3.56% | 5,065,906 | 2.89% | 1,644,864 | 32.47% |
| Total assets less current liabilities | 95,135,811 | | 83,936,599 | | 11,199,212 | 13.34% |

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

| Item | June 30, 2021 | | December 31, 2020 | | Increase/decrease | |
|--|--------------------|-------------|-------------------|-------------|-------------------|------------|
| | Amount | Composition | Amount | Composition | Amount | Percentage |
| Non-current liabilities | 37,755,497 | | 30,741,498 | | 7,013,999 | 22.82% |
| Loans and borrowings | 2,807,549 | 1.49% | 1,068,103 | 0.61% | 1,739,446 | 162.85% |
| Bonds payable | 29,736,799 | 15.76% | 23,775,649 | 13.54% | 5,961,150 | 25.07% |
| Employee benefits payable | 2,295 | 0.00% | 2,295 | 0.00% | - | 0.00% |
| Deferred income tax liabilities | 14,788 | 0.01% | 14,002 | 0.01% | 786 | 5.61% |
| Financial liabilities at fair value through profit of loss | - | - | 616,136 | 0.35% | (616,136) | (100.00)% |
| Accrued liabilities | 4,551,170 | 2.41% | 4,551,975 | 2.59% | (805) | (0.02)% |
| Lease liabilities | 525,549 | 0.28% | 563,968 | 0.32% | (38,419) | (6.81)% |
| Contract liabilities | - | - | 181 | 0.00% | (181) | (100.00)% |
| Other non-current liabilities | 117,347 | 0.06% | 149,189 | 0.08% | (31,842) | (21.34)% |
| Total liabilities | 188,720,279 | | 175,541,283 | | 13,178,996 | 7.51% |
| Net assets | 57,380,314 | | 53,195,101 | | 4,185,213 | 7.87% |

Non-current assets: As of June 30, 2021, the non-current assets of the Company amounted to RMB34.1 billion, representing an increase of 6% as compared with that of the beginning of the year, which was mainly due to the increase of refundable deposits and investment in debt instruments at fair value through other comprehensive income, partially offset by the decrease in financial assets at amortized cost.

Current assets: As of June 30, 2021, the current assets of the Company amounted to RMB212.0 billion, representing an increase of 8% as compared with that of the beginning of the year, which was mainly due to the increase of cash and bank deposits, margin accounts receivable and cash held on behalf of brokerage clients, partially offset by the decrease in investment in equity instruments at fair value through other comprehensive income and financial assets held under resale agreements.

Current liabilities: As of June 30, 2021, the current liabilities of the Company amounted to RMB151.0 billion, representing an increase of 4% as compared with that of the beginning of the year, which was mainly due to the increase in accounts payable to brokerage clients, loans and borrowings, partially offset by the decrease in the placements from other financial institutions.

Non-current liabilities: As of June 30, 2021, the non-current liabilities of the Company amounted to RMB37.8 billion, representing an increase of 23% as compared with that of the beginning of the year, which was mainly due to the increase of bonds payable, loans and borrowings.

Overseas assets

Overseas assets of the Company mainly derive from the subsidiary, Everbright Securities Financial Holdings Limited and its subsidiaries, the principal place of business of which is Hong Kong and the functional currency is Hong Kong dollars. Of which: Overseas assets of the Company reached RMB29.827 billion, representing 12.12% of the total assets.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and bond financing

Unit: RMB' 000

| Item | June 30, 2021 | December 31, 2020 |
|------------------------------------|------------------|----------------------|
| Loans and borrowings | 14,304,852 | 7,007,516 |
| Short-term debt instruments issued | 9,289,390 | 10,324,937 |
| Long-term bonds | 47,260,449 | 42,019,167 |
| Total | 70,854,691 | 59,351,620 |

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 42, 43 and 49 of the consolidated financial statements.

As of June 30, 2021, the Company's gearing ratio was 67.83%, the Company's long-term bonds due within one year, loans and borrowings and short-term debt instruments issued amounted to RMB38.3 billion, and the Company's net current assets, net of the above liabilities, amounted to RMB173.7 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

(II) Analysis on investments

1. Overall analysis on external equity investment

As of the end of the Reporting Period, the long-term equity investment of the Company amounted to RMB1.078 billion, representing a decrease of RMB16 million or 1.42%, as compared with that of the beginning of the year, which was mainly due to the recovery of investment and gain on investment under the adoption of equity accounting for investment in associates and joint ventures. For details, please refer to the disclosure in the Financial Report.

(1) *Significant equity investment*

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

(2) *Significant non-equity investment*

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

(III) Material disposal of assets and equity interests

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

(IV) Analysis on principal subsidiaries and controlled companies

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

As of June 30, 2021, Everbright Futures had total assets, net assets and net profit for the first half amounting to RMB23.463 billion, RMB2.204 billion and RMB140 million, respectively.

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

As of June 30, 2021, Everbright Asset Management had total assets, net assets and net profit for the first half amounting to RMB3.015 billion, RMB2.471 billion and RMB217 million, respectively.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

As of June 30, 2021, Everbright Capital had total assets, net assets and net loss for the first half amounting to RMB2.925 billion, RMB-2.446 billion and RMB4 million, respectively.

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

As of June 30, 2021, Everbright Fortune had total assets, net assets and net loss for the first half amounting to RMB2.589 billion, RMB1.964 billion and RMB10 million, respectively.

5. Everbright Securities Financial Holdings Limited is a company with limited liability incorporated under the laws of Hong Kong with registered capital of HK\$5.065 billion on November 19, 2010, and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding and financial services with Everbright Sun Hung Kai Company Limited as the main management platform.

As of June 30, 2021, under IFRs measures, Everbright Sun Hung Kai Company Limited had total assets of HK\$17.90 billion and net assets of HK\$3.48 billion, and net profit for the first half of HK\$231 million.

As of June 30, 2021, the other subsidiary of EBSHK, China Everbright Securities International Limited, under IFRs measures, had total assets of HK\$2.809 billion and net assets of HK\$409 million, and net loss for the first half of HK\$45 million.

As of June 30, 2021, EBSHK had total assets, net assets and net profit for the first half amounting to RMB29.827 billion, RMB1.245 billion and RMB66 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 June 30, 2021, Everbright Development had total assets, net assets and net profit for the first half amounting to RMB1.353 billion, RMB594 million and RMB11 million, respectively.

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

As of June 30, 2021, Everbright Leasing had total assets, net assets and net profit for the first half amounting to RMB3.025 billion, RMB1.228 billion and RMB19 million, respectively.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2021, Everbright Pramerica had total assets, net assets and net profit for the first half amounting to RMB1.522 billion, RMB1.341 billion and RMB86 million, respectively.

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

As of June 30, 2021, Dacheng Fund had total assets, net assets and net profit for the first half amounting to RMB4.261 billion, RMB2.653 billion and RMB177 million, respectively.

(V) Structured entities under the control of the Company

As of June 30, 2021, the Company consolidated 12 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 at June 30, 2021, the net assets of the above structured entities within the scope of consolidation amounted to RMB6.562 billion.

(VI) Use of proceeds

In August 2016, the Company issued a total of 704,088,800 overseas listed foreign shares (H Shares), and raised effective proceeds amounting to HK\$8.927 billion (equivalent to RMB7.631 billion 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 billion after deducting the issuance expenses.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2021, the use of proceeds from the Company's issuance of H Shares is as follows:

| Intended use of net proceeds | Allocation of net proceeds (%) | Amount of net proceeds utilized up to December 31, 2020 | Amount of net proceeds utilized during the year ended December 31, 2020 | Balance of net proceeds unutilized as at December 31, 2020 ^{Note} | Amount of net proceeds utilized during the six months ended June 30, 2021 | Intended timetable for use of the unutilized net proceeds |
|--|--------------------------------|---|---|--|---|---|
| | | | | | | |
| (i) Developing capital intermediary business | 59% | 4,527.3 | - | - | - | N/A |
| (ii) Funding operations of overseas business and inorganic expansion of onshore and offshore platforms | 11% | 868.1 | - | - | - | N/A |
| (iii) Developing wealth management business and institutional securities business | 20% | 1,460.0 | - | - | - | N/A |
| (iv) Funding working capital, establishing back-office systems and other general corporate purposes | 10% | 824.7 | 0.40 | 0.97 | 0.27 | Before December 31, 2021 |

Note: The unutilized amount of RMB967,900 represents the amount in RMB converted from the balance of the foreign HKD account of HK\$1.15 million at the year-end exchange rate.

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 execution information system and strengthening its professional risk management so as to effectively manage various risks faced during the Company's operations and to promote the healthy and sustainable development of the Company's businesses.

2. Risk management structure

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

The Board of Directors shall undertake ultimate responsibility for comprehensive risk management and be responsible for advancing the construction of risk culture; considering and approving the basic system of the comprehensive risk management of the Company; considering and approving the risk preference, risk tolerance and significant risk limit of the Company; considering the regular risk assessment reports of the Company; and establishing a direct communication mechanism with the chief risk officer. The Board of Directors may authorize its subordinate Risk Management Committee to fulfill 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

3. Measures against various risks

(1) *Market risk*

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

In terms of the market risk, the Company adheres to the principle of proactive management and quantitative orientation and establishes a risk limit system incorporated with various procedures for market risk tolerance and business risk limits based on the risk tolerance preferences of the Company. Risks are under control by a combination of investment portfolios, mark-to-market measures, hedging and mitigation measures during the business expansion. The general meeting of the Company determines the annual scale of proprietary trading business and the market risk loss tolerance and the committee under the senior management of the Company determines the market risk loss tolerance for each specific item and reviews and approves specific limits for each business, including net exposure value, investment concentration, basis point value, etc. Meanwhile, stress testing is an integrated part of the Company's market risk management, therefore the Company has established a stress testing mechanism to timely assess the potential loss that the Company may suffer under the stress scenario according to its business development and changes in market and provide a basis for the Company's management to make decisions. For the OTC derivatives business, the Company conducts market risk management mainly through measures such as underlying pool management and limit management, product pricing management, hedging management and market-to-market management, and back testing and stress testing before, during and after the operation, respectively.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(2) *Credit risk*

Credit risk refers to potential losses resulting from the failure of a debtor or counterparty to perform its obligations under a contract, mainly due to the securities and futures trading on behalf of the clients, default risk arising from bond issuers or OTC derivatives counterparties, and risks due to the failure of full repayment as agreed by clients of financing businesses such as collateralized stock repurchase transactions, security transactions with repurchase agreement and 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 investment business, 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 financing business, the credit risk is controlled and managed through conducting risk education, credit investigation, credit extension, mark-to-market measures, risk alert, forced liquidation and judicial recourse to the clients, as well as establishing stringent standards for the scope and discount rate of collaterals, margin deposit ratios, and maintenance margin ratios. For the OTC derivatives business, the Company conducts due diligence, credit rating and scale control on the counterparties and applies the mark-to-market measures, collaterals supplement and disposal of collaterals to control the credit risk exposure to the counterparties.

(3) *Operational risk*

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

The Company has formulated administrative measures for the operational risk, specified the governance structure of the operational risk and strengthened the responsibilities and duties for managing each defense line of operational risk, in order to strictly control operational risks. The Company continues to improve the operational risk management system to strengthen the business process management and IT system construction, reinforce the accountability system and reduce the possibility of operational risk. In addition, the Company has promoted the construction and operation of tools for managing operational risk and has 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.

The Company has authorized the finance and treasurer department 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 liquidity. Meanwhile, the risk management and internal control department of the Company is responsible for monitoring the implementation of limit system for overall liquidation risk of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

In terms of risk response, the Company has formulated a liquidity risk emergency plan, which defines and clarifies the level of liquidity risk, criteria of triggering, and response methods in detail, adhered to the bottom line of non-occurrence of liquidity risk through sufficient reserve of high-quality assets and prudent and dynamic management of the liability term structure, and carried out regular emergency drills to test the effectiveness of the risk response mechanism. In addition, the Company also actively expanded financing channels and financing methods, maintained a good cooperative relationship with external institutions, reserved sufficient external financing credits, to ensure the Company's continued and stable source of funds.

(5) *Information technology risk*

Information technology risks refer to the effects on the network and the information system or data as a result of human errors, the defects or failure of software and hardware and natural disasters. With the extensive application of the new-generation information technology in the financial industry, risks incurred by technology innovation are even more hidden, sudden, and contagious. Information technology risks are increasingly intricate and complicated.

During the Reporting Period, the Company focused the digital, platform-based and intelligent technologic and strategic goals of the Group, continued to deepen the information technology reform and improve the guarantee mechanism on the information system and enhanced the operation and maintenance management of information technology with big data, cloud computing, artificial intelligence and other technologies. It focused on risk preference management of risks on business continuity, operation, network security and data security, further enhanced the safety construction and quality control on the information system and improved emergency proposals on network security incidents. It further boosted the monitoring on information technology risks and the emergency handling capability through regular emergency exercises to ensure the long-term stable operation of the information system of the Company without network security incidents and effectively prevent information technology risks.

(6) *Reputation risk*

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

In order to effectively control reputation risk, the Company continued to carry out appropriate and effective reputational risk management, and has established a standardized management system, a scientific organizational structure and a sound management and control system. The Company has also successively formulated and revised the Management Measures on Reputational Risk and Public Opinion Work, Implementation Rules for Reputation Risk and Public Opinion Work, Measures for the Management of Information Release, Management Measures for Major Emergencies Reporting, Management Measures for Major Emergency Response Plan, WeChat Official Account Management Regulations and other related measures.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

The Company has a working group for media affairs management and a leading group for public opinion, which has realized the coordination and unity among the Company, the departments, the subsidiaries and sub-branches, and improved employee reputation risk awareness and reputation risk management capabilities through system promotion, training, emergency drills, etc. In addition, the Company has set up full-time positions for public opinion monitoring, handling and maintenance of external media relations, at the same time, the Company has also engaged third-party consultants and law firms to assist the Company in managing its reputational risk.

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

(7) *Compliance risk*

Compliance risk refers to the risk of the Company being investigated for legal responsibility in accordance with laws, being taken with regulatory measures, being given disciplinary action, or losing property or business reputation due to violations of laws, regulations and guidelines during operation, management or practice of the Company or its staff.

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 training, assessment and accountability mechanisms, to provide effective support and supervision for the Company's various operations in accordance with laws and regulations.

During the Reporting Period, the Company continued to improve the organizational structure of compliance management and optimize the compliance management and control mechanism. In terms of compliance management systems, the Company formulated 2 new systems and amended 2 systems based on the requirements of new regulations and established a system with 1 basic system, 1 implementation measure and 46 specific regulations, consolidating the performance of various compliance functions.

In terms of the organizational structure of compliance management, the Board sets the targets on compliance management of the Company; the Supervisory Committee supervises the performance; the senior management of the Company implements the targets on compliance management; the chief compliance officer is accountable to the Board; and the legal and compliance department practically performs various compliance management functions. For the compliance management mechanism, the Company enhances the compliance management and control mechanism in key sectors. The investment banking business line uses a combination of the entire business process and key special projects to comprehensively promote daily inspections. The retail and institutional business line follows the trends of business development and strengthens the standardization of marketing and publicity activities. The subsidiaries management line continuously supervises and guides the improvement of the internal control mechanisms and the rectification and improvement of organizational structures of subsidiaries to enhance the routine compliance management and control capabilities of subsidiaries and strengthen the review on their significant businesses. The investment and research business line actively supervises and guides the implementation of rectifications under new rules on research reports and further improved the management and control mechanism on the sales process of research reports. The legal affairs business line breaks stereotypes, deepens the prevention and control mechanism on legal risks, gradually explores the transformation of the work on legal affairs from supporting services to value creation and facilitates the transformation from assisting legal affairs to driving legal affairs.

SECTION IV CORPORATE GOVERNANCE

I. Introduction to General Meetings

| Meeting | Date of meeting | Enquiry index of the websites designated for publication of the resolutions | Date of disclosure of publishing the resolutions | Resolutions at the meeting |
|-----------------------------|------------------------|--|---|--|
| 2020 annual general meeting | May 18, 2021 | http://www.sse.com.cn http://www.hkexnews.hk | May 19, 2021 (A shares) May 18, 2021 (H shares) | <p>The meeting considered and approved the following resolutions:</p> <ol style="list-style-type: none"> 1. To consider the Resolution in Respect of the 2020 Report of the Board of Directors of the Company 2. To consider the Resolution in Respect of the 2020 Report of the Supervisory Committee of the Company 3. To consider the Resolution in Respect of the 2020 Annual Report and its summary of the Company 4. To consider the Resolution in Respect of the 2020 Profit Distribution Plan of the Company 5. To consider the Proposal of Expected Ordinary Related Party (Connected) Transactions in 2021 of the Company 6. To consider the Proposal of Proprietary Trading Businesses Scale in 2021 of the Company 7. To consider the Proposal on Adjusting the Allowances of the Company's Independent Directors and External Supervisors 8.00 To consider the Proposal of the General Mandate to Issue Onshore and Offshore Debt Financing Instruments to the Company <ol style="list-style-type: none"> 8.01 Issuer 8.02 Type of Debt Financing Instruments 8.03 Size of Issuance 8.04 Method of Issuance 8.05 Term of Debt Financing Instruments 8.06 Interest Rates of Debt Financing Instruments 8.07 Guarantees and Other Credit Enhancement Arrangements 8.08 Purpose of Proceeds 8.09 Issue Price 8.10 Target Subscribers and Arrangements for Placement to the Shareholders of the Company 8.11 Listing of the Debt Financing Instruments 8.12 Measures for Guaranteeing Debt Repayment of the Debt Financing Instruments 8.13 Authorised Matters Relating to the Issuance of the Onshore and Offshore Debt Financing Instruments of the Company 8.14 Validity Period of the Resolution |

SECTION IV CORPORATE GOVERNANCE

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

| Name | Position | Change |
|------------|---------------------|----------|
| Wang Wenyi | Employee Supervisor | Resigned |

Description of changes about directors, supervisors and senior management of the Company

- On June 30, 2021, the Supervisory Committee of the Company received a written resignation report from Ms. Wang Wenyi, an employee supervisor. Due to retirement, Ms. Wang Wenyi resigned from her positions as an employee supervisor and a member of the corporate governance supervisory committee of the supervisory committee of the Company, and would no longer hold any position at the Company.

Given that the resignation of Ms. Wang Wenyi will result in the proportion of employee supervisors among the members of the supervisory committee of the Company to be less than one-third, in accordance with the Company Law and the Articles of Association and other relevant requirements, the resignation of Ms. Wang Wenyi is subject to the election of a new employee supervisor at the employee representative meeting of the Company. For details, please refer to the Company's announcement No. Lin 2021-035 published on the website of the SSE and the announcement dated July 2, 2021 published on the website of the Hong Kong Stock Exchange.

- In June 2021, Mr. Ren Yongping, an Independent Non-executive Director of the Company, acted as an independent director of Shanghai Jin Jiang International Travel Company Co., Ltd. (上海錦江國際旅遊股份有限公司).
- In August 2021, Mr. Yin Lianchen, a Non-executive Director of the Company, resigned as an executive director of China Everbright Limited and a member of the Executive Committee and the Strategy Committee.

As at the date of this report, the Board of the Company comprised the following 13 Directors: Mr. Yan Jun (Chairman, Executive Director), Mr. Liu Qiuming (Executive Director), Mr. Song Bingfang (Non-executive Director), Mr. Fu Jianping (Non-executive Director), Mr. Yin Lianchen (Non-executive Director), Mr. Chan Ming Kin (Non-executive Director), Mr. Tian Wei (Non-executive Director), Mr. Yu Mingxiong (Non-executive Director), Mr. Wang Yong (Independent Non-executive Director), Mr. Po Wai Kwong (Independent Non-executive Director), Mr. Ren Yongping (Independent Non-executive Director), Mr. Yin Junming (Independent Non-executive Director) and Mr. Liu Yunhong (Independent Non-executive Director).

III. Significant Changes in Directors' and Supervisors' Information

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

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

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

SECTION IV CORPORATE GOVERNANCE

V. Dealing in Securities by Directors and Supervisors

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

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

VI. Staff and Remuneration Policy

(I) Information about the staff

As of the end of the Reporting Period, the Company had 9,162 employees (including 2,370 brokers), of which parent company had 7,118 employees, wholly owned and controlled subsidiaries had 2,044 employees.

(II) Remuneration policy

In an effort to match the business development strategy, the Company actively implemented the requirements of salary structure optimization, diversified incentive and employee care to stimulate the entrepreneurial enthusiasm and initiative of young talents, and in accordance with national laws and regulations and the Articles of Association, formulated and optimized a series of salary and welfare, incentive mechanism and other systems in line with the actual situation of the Company to establish salary and welfare management policies based on the four principles of legal compliance, market orientation, differentiation and internal fairness. Also, the Company established and fully paid various social insurances (i.e. endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and housing provident fund for employees according to law, and established the enterprise annuity plan and supplementary commercial medical insurance for employees. In order to further standardize performance bonus management, the Company has implemented risk funds and bonus deferral mechanisms for performance bonus to secure long-term and stable development.

In addition, the Company takes into full consideration factors such as industry characteristics, job characteristics and work intensity, and makes timely adjustments according to the Company's strategic changes, performance development, and industry development to achieve dynamic management.

(III) Training plan

The Company implemented the general requirements of the Party's construction and the Party's organizational line in the new era, focused on the Company's medium and long-term development strategy, aimed to forge a strong and powerful first-class investment banking team, took the basic cultural criterion of "being energetic, sincere and brilliant" (煥能、鑄華、守真) as the guidance, adhered to morality first and paid attention to ability, continuously improved and optimized hierarchical and classified education and training system, focused on key groups, strengthened the party spirit education, clean government education and training practice of cadres, and enhanced the ability of cadres to perform their duties; distinguished the characteristics of cadres and employees, and organized various talent theme trainings such as the "Flying Eagle Plan" (飛鷹計劃) and "Elite Plan" (菁英計劃); pressed close to the business segments, strengthened professional, compliance risk control, professional skills and other training, improved the vision and professional ability of front-line employees, and empowered branches with trainings; enriched training resources and means through diversified methods such as online and offline training and live streaming and platform teaching; and strengthened the construction of lecturer team and new online learning platform to build into a learning organization.

SECTION IV CORPORATE GOVERNANCE

VII. Profit Distribution

(I) The profit distribution proposal during the Reporting Period

According to the 2020 profit distribution proposal considered and approved at the 2020 annual general meeting of the Company convened on May 18, 2021, on the basis of a total share capital of 4,610,787,639 A Shares and H Shares in issue as of December 31, 2020, a cash dividend of RMB1.58 per 10 shares (tax inclusive) was distributed to all holders of A Shares and H Shares, with a total cash dividend amounting to RMB728,504,446.96. Cash dividend is denominated and declared in RMB and paid to holders of A Shares in RMB and to holders of H Shares in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the PBOC for five business days prior to the 2020 annual general meeting of the Company (i.e. RMB0.829016=HKD1.00). Accordingly, a cash dividend of HKD1.905874 per 10 H Shares (tax inclusive) was distributed.

The Company published relevant announcements in relation to the 2020 profit distribution proposal on the websites of the SSE, the Hong Kong Stock Exchange and the Company, and the Company's 2020 profit distribution proposal was completed in July 2021.

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

The Company had no profit distribution proposal or proposal for conversion of capital reserve fund into share capital for the first half of 2021.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

I. Particulars of Environmental Information

1. Other environmental information disclosed with reference to other key pollutant-discharging units

During the Reporting Period, the Company received no administrative punishment on environmental issues. The Company strictly abided by relevant laws and regulations on environmental protection of the places where it operates, attached high importance to environmental responsibilities and facilitated the Company to advance towards sustainable development. During the Reporting Period, the Company vigorously explored green financing demands, advocated green operation, carried out energy saving and emission reduction and strived to reduce the consumption of water, electricity, paper and other resources and office items and reduce carbon emission.

2. Relevant information beneficial to ecological protection, pollution prevention and fulfillment of environmental responsibilities

The Company strongly supported the development of green finance to respond to the climate change. It continued to facilitate green finance and led the underwriting of the first batch of corporate bonds on carbon neutrality in the PRC and green panda medium-term notes on rural revitalization.

3. Measures adopted for reducing its carbon emission during the Reporting Period and effects

The Company promoted green operation and encouraged staff to practice green travelling and green consumption to reduce carbon footprint. It carried out green public welfare actions and conducted forest planting in Sanjiangyuan area.

II. Particulars of Consolidating and Expanding the Results of Poverty Alleviation, Rural Revitalization and Other Work

2021 is the first year of the "14th Five-year" Plan as well as the first year for the effective link between consolidating the results of poverty alleviation and rural revitalization. The Company firmly takes the thought on socialism with Chinese characteristics for a new era of Xi Jinping as guidance and follows the decisions and deployment of the CPC Central Committee and the State Council on paired assistance to perform assistance responsibilities, display its own advantages and innovate assistance measures to improve assistance results. It assists impoverished counties in consolidating the results of poverty alleviation with "sincerity, true love and tangible efforts" and advances rural revitalization.

(I) Major assistance work in the first half

During the Reporting Period, the Company made the donation of targeted assistance capitals of RMB3.20 million to assist counties receiving targeted assistance in consolidating the results of poverty alleviation and assigned outstanding cadres to hold temporary posts in Xintian County, a county receiving targeted assistance, to support rural revitalization. The Company actively conducted the selection and recommendation of advanced collectives and individuals in poverty alleviation to carry forward the spirit of poverty alleviation. The Company vigorously expanded the breadth and depth of consumption assistance. It actively purchased and assisted in the sale of featured agricultural products from regions receiving targeted assistance through the "love purchase" organized by the labor union of the Company. It also assisted in solving the issue on the "last kilometer" in industrial development and gradually developed the assistance model of "boosting sales with channels, boosting industries with sales and boosting revitalization with industries". The Company purchased agricultural products with a total amount of RMB1,479,100 from poverty-stricken regions in the first half.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

(II) Working plan on assistance in the next stage

1. *Strengthen leadership, enrich poverty alleviation capabilities and enhance assistance work*

It will build up the awareness that the Company acts as an integrated entity to conduct systematic poverty alleviation work, further improve its work mechanism and strengthen work guidance. It will fully utilize the role of the Company Poverty Alleviation Work Leading Team and the Poverty Alleviation Office under the Company and expand and strengthen the leading role of major responsible persons of the Company. The Poverty Alleviation Office of the Company will coordinate while relevant branches will be responsible for the liaison with paired regions. The investment banking system, Everbright Futures and other units will provide professional service guarantees and middle- and back-end departments will support the working system on assistance to provide full organizational guarantee to the assistance work. Meanwhile, it will 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.

2. *Integrate poverty alleviation resources in systems, coordinate and encourage all parties to participate in targeted assistance*

The Company will deeply explore itself and employ customer resources of financial enterprises of Everbright Group to help introduce various kinds of support funds and facilitate the implementation of projects. It will raise overall situation awareness, coordination awareness, sharing awareness and market awareness, and coordinate to promote the poverty alleviation work. It will extensively conduct paired and one-to-one assistance within the Company and build up the "one-on-one" aid plan of Everbright Mingde, the "love purchase" of Everbright and other brand poverty alleviation programs to create an atmosphere with everyone caring about and participating in assistance.

3. *Conduct investigations and researches and strengthen work guidance*

The Company will conduct various in-depth investigations and researches at different levels and analyze the current development conditions with counties receiving targeted assistance to clear development thoughts and assist the effective integration with leading systems, working systems, development plans and policy measures during the transitional period. It will urge the sound operation of the monitoring and assistance mechanism on poverty prevention, implement all assistance policies and measures during the transitional period and consolidate the results of poverty alleviation with rural revitalization to prevent scaled poverty-returning and ensure the orderly progress of rural revitalization.

4. *Tell Everbright's stories on assistance and carry forward the corporate culture of Everbright*

The Company will deeply explore vivid cases in regions receiving targeted assistance and carry out publicity in various forms. It will combine the vivid practice in assistance and the corporate culture of the Company organically, carry forward the spirit of poverty alleviation and encourage cadres and employees to make greater contributions to the implementation of the strategy on rural revitalization.

SECTION VI SIGNIFICANT EVENTS

I. 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

| Background | Type of undertaking | Undertaking party | Content of undertaking | Date and duration of undertaking | Any deadline for performance or not | Strictly performed in a timely manner or not |
|--|---------------------|-----------------------------|--|----------------------------------|-------------------------------------|--|
| Undertaking in relation to the initial public offering | Other | China Everbright Group Ltd. | A non-competition undertaking was made in favor of the Company during the listing of A Shares of the Company on Shanghai Stock Exchange and the listing of H Shares on the Hong Kong Stock Exchange. | August 2009, August 2016 | No | Yes |

II. Particulars of Appropriation of Funds on a Non-recurring Basis by the Company's Controlling Shareholders and Their Related Parties during the Reporting Period

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.

III. Guarantees in Violation of Regulations

During the Reporting Period, the Company had no guarantees in violation of regulations.

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 Shanghai Stock Exchange Listing Rules. For the particulars of other litigations of the Company, please refer to "X. Other Significant Events and Subsequent Events" in "Section VI Significant Events" of this report.

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

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

VI. Appointment and Dismissal of Accounting Firms

The Proposal on the Re-appointment of External Auditors for the Year 2021 has been considered and approved at the eighth meeting of the sixth session of the Board of the Company, pursuant to which Ernst & Young Hua Ming LLP (Special General Partnership) has been re-appointed as the domestic auditor of the Company for the year 2021 and Ernst & Young has been re-appointed as the overseas auditor of the Company for the year 2021. Such matter is subject to consideration and approval at the general meeting. For details, please refer to the Company's announcement No. Lin 2021-049 and announcement published on the website of the Hong Kong Stock Exchange dated August 26, 2021.

SECTION VI SIGNIFICANT EVENTS

VII. Material Related Party Transactions and Connected Transactions

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

Everbright Group is a controlling shareholder of the Company and hence a connected person of the Company. Sun Hung Kai & Co. Limited held 30% of the issued shares of SHKFGL before June 1, 2021, and currently is also an associate of the resigned director of SHKFGL (less than 12 months), hence is a connected person of the Company.

Exempt continuing connected transactions

In the Group's daily operation:

1. The Company and certain of its subsidiaries in China have entered into certain trademark license agreements with Everbright Group. Everbright Group has granted non-exclusive, non-transferable and royalty-free licenses to the Company and relevant subsidiaries, pursuant to which the Company and relevant 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.

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. References are made to the announcements of the Company dated August 28, 2018 and September 17, 2018, 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, 2021.

SECTION VI SIGNIFICANT EVENTS

Non-exempt continuing connected transactions

Property Leasing Framework Agreement

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

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

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

In accordance with the 2018 Everbright Group Property Leasing Framework Agreement, the annual cap for the rental income from Everbright Group and its affiliated parties for the leased properties would be RMB6.0 million, RMB6.9 million and RMB8.0 million in 2019, 2020 and 2021, respectively; and the annual cap for the rental expenses to be incurred for the properties rented from Everbright Group and its affiliated parties would be RMB40.0 million, RMB46.0 million and RMB55.0 million in 2019, 2020 and 2021, respectively. In the first half of 2021, the actual amount of rental income from the properties leased to Everbright Group and its affiliated parties was RMB1.74 million, and the actual rental expenditure incurred for the properties rented from Everbright Group and its affiliated parties was RMB17.5 million.

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

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

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

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

In accordance with the 2018 Everbright Group Non-financial Miscellaneous Services Framework Agreement, the annual cap for the income from Everbright Group and its affiliated parties for providing non-financial miscellaneous services would be RMB3.0 million, RMB4.0 million and RMB5.0 million in 2019, 2020 and 2021, respectively; and the annual cap for the expenses to be incurred for non-financial miscellaneous services provided by Everbright Group and its affiliated parties would be RMB69.0 million, RMB86.0 million and RMB100.0 million in 2019, 2020 and 2021, respectively. In the first half of 2021, the actual amount of income from provision of non-financial miscellaneous services to Everbright Group and its affiliated parties was RMB0 million, and the actual expenditure incurred for the non-financial miscellaneous services provided by Everbright Group and its affiliated parties was RMB2.78 million.

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

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

Financial Products and Services Framework Agreement

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

SECTION VI SIGNIFICANT EVENTS

A. Securities and Financial Products Transactions

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

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

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

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

In accordance with the 2018 Everbright Group Financial Products and Services Framework Agreement, the annual cap for cash inflow from the transaction of securities and financial products shall be RMB230,000 million, RMB280,000 million and RMB340,000 million in 2019, 2020 and 2021 respectively; and the annual cap for cash outflow for the transaction of securities and financial products shall be RMB230,000 million, RMB280,000 million and RMB340,000 million in 2019, 2020 and 2021 respectively. In the first half of 2021, the actual cash inflow from the transaction of securities and financial products was RMB60.24 billion; and the actual cash outflow for the transaction of securities and financial products was RMB65.38 billion.

B. Securities and Financial Services

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

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

In accordance with the 2018 Everbright Group Financial Products and Services Framework Agreement, the annual cap for the revenue to be gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties shall be RMB950.0 million, RMB1,050.0 million and RMB1,200.0 million in 2019, 2020 and 2021 respectively; and the annual cap for the expense to be paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties shall be RMB250.0 million, RMB290.0 million and RMB330.0 million in 2019, 2020 and 2021 respectively. In the first half of 2021, the actual revenue gained by the Group for the securities and financial services provided to Everbright Group and its affiliated parties was RMB102.1 million, and the actual expense paid by the Group for the securities and financial services provided by Everbright Group and its affiliated parties was RMB65.3 million.

SECTION VI SIGNIFICANT EVENTS

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

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

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

(II) Transaction on performance of put option between ESFH and SHKC

References are made to the announcement of the Company dated November 17, 2020 published on the website of the Hong Kong Stock Exchange and the 2020 annual report, which disclosed that SHKC is entitled to sell the remaining 30% equity it holds in SHKFGL to ESFH based on the 2015 Shareholders' Agreement. The 30% of the ordinary shares of SHKFGL held by SHKC will be converted into the same number of preference shares according to the relevant legal procedures, and the payment will be made in installments through the redemption of preference shares by SHKFGL, and all preference shares of SHKFGL will be redeemed finally. On November 17, 2020, ESFH paid SHKC in cash at an amount of approximately HK\$1.257 billion as initial payment and the balance of approximately HK\$1.156 billion will be paid by SHKFGL in installments.

SHKFGL may choose between mandatory redemption and accelerated redemption to redeem the preference shares. Under the mandatory redemption arrangement, SHKFGL will redeem one third of the preference shares from SHKC on each of June 1, 2021, June 1, 2022 and June 1, 2023, respectively. The amount paid for each period will be approximately HK\$450 million to HK\$480 million respectively. Under the accelerated redemption arrangement, SHKFGL may decide based on specific circumstances, that on one of June 1, 2021, December 1, 2021, June 1, 2022 or December 1, 2022, it will redeem all the remaining preference shares held by SHKC in advance at one time, with an amount of approximately HK\$1.237 billion, HK\$825 million, HK\$864 million and HK\$412 million, respectively.

During the Reporting Period, according to the agreement and arrangement, SHKFGL paid HK\$1.237 billion to redeem all the preferred shares held by SHKC on June 1, 2021.

SECTION VI SIGNIFICANT EVENTS

VIII. Significant Contracts and their Performance

1. Significant guarantees performed or outstanding guarantees during the Reporting Period

Unit: 100 million Currency: RMB

| Guarantees provided by the Company (excluding guarantees for subsidiaries) | |
|--|--------|
| Total amount of guarantees provided during the Reporting Period (excluding provided guarantees for subsidiaries) | – |
| Balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries) | – |
| Guarantees for subsidiaries by the Company | |
| Total guarantees for subsidiaries during the Reporting Period | 46.82 |
| Balance of guarantees for subsidiaries as at the end of the Reporting Period (B) | 104.26 |
| Total guarantees (including guarantees for subsidiaries) | |
| Total guarantees (A+B) | 104.26 |
| Ratio of total guarantee to net assets of the Company (%) | 18.17% |
| Among which: | |
| Guarantees for shareholders, de facto controller and their related parties (C) | – |
| Debt guarantee provided directly or indirectly for companies with gearing ratio over 70% (D) | 37.05 |
| Amount of guarantees in excess of 50% of the net assets (E) | – |
| Total amount of the above three types of guarantees (C+D+E) | 37.05 |
| Outstanding guarantees subject to joint and several liabilities | |
| Details of guarantees | |

- During the Reporting Period, the Company has provided the following guarantees: net capital guarantee for the wholly-owned subsidiary Everbright Asset Management, and guarantee for the offshore borrowings of the wholly-owned subsidiary EBSHK. As of June 30, 2021, the balance of such guarantees was approximately RMB4.651 billion. The guarantees of the Company's holding subsidiaries mainly include: the wholly-owned subsidiary EBSHK and its subsidiaries provided loan guarantees and financing guarantees for its subsidiaries, to facilitate their business operation. As of June 30, 2021, the balance of such guarantees was approximately RMB5.775 billion.
- The guarantee amount incurred was the amount increased during the year, excluding the amount decreased during the year.

SECTION VI SIGNIFICANT EVENTS

IX. Description of Other Significant Events

1. Accounting-related Information

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

During the Reporting Period, there is no change in accounting policies of the Company.

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

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

2. Review by the Audit Committee

The Audit Committee of the Board has reviewed and confirmed the Company's report on Review of Interim Financial Statements which is disclosed in accordance with the International Accounting Standards for the six months ended June 30, 2021, and has no objection against matters including the accounting policies and practices adopted by the Company.

3. Corporate Governance

During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules, fully complied with all applicable provisions of the Corporate Governance Code, and met the requirements of the vast majority of the recommended best practices set out in the Corporate Governance Code.

X. Other Significant Events and Subsequent Events

1. Relevant information on branches

In order to further optimize the layout of business outlets, during the Reporting Period, the Company has cancelled the securities brokerage branch at Huangxing Road, Yangpu District, Shanghai (for details, please refer to the Company's announcement No. Lin 2021-043 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated August 7, 2021). The Company has performed procedures according to regulatory requirements, completed the matters such as the transfer of customers, settlement of business and closure of the premises, and gone through formalities for industrial and commercial deregistration. As of the end of the Reporting Period, the Company had 253 securities brokerage branches.

2. Events of litigations disclosed with subsequent progress

For details on the Company's case against Shihezi Ruichen Equity Investment Partnership (Limited Partnership) (石河子市瑞晨股權投資合夥企業(有限合夥)), a margin financing and securities lending client, please refer to the Company's announcement No. Lin 2020-002 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated January 7, 2020, 2019 annual report, 2020 interim report and 2020 annual report. Currently, the Company has received the second-instance judgment, which upheld the original verdict.

For details on the Company's case against its stock pledge client, Shihezi Ruichen Equity Investment Partnership (Limited Partnership) (石河子市瑞晨股權投資合夥企業(有限合夥)), please refer to the Company's announcement No. Lin 2019-068 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated November 28, 2019, 2019 annual report, No. Lin 2020-061, 2020 interim report and 2020 annual report. Currently, the underlying securities have completed judicial auction.

SECTION VI SIGNIFICANT EVENTS

For details on the Company's case against its stock pledge clients surnamed Zheng and surnamed Zhan, please refer to the Company's announcement No. Lin 2019-041 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated July 12, 2019, 2019 interim report, 2019 annual report, No. Lin 2020-104, announcement published on the website of the Hong Kong Stock Exchange dated November 3, 2020 and 2020 annual report. Currently, the Company has made an application to the court for enforcement.

For details on the Company's case against its stock pledge clients surnamed Zhang and surnamed Ma, please refer to the Company's announcement No. Lin 2019-045 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated August 9, 2019, 2019 interim report, 2019 annual report and 2020 annual report. The Company has received the second-instance judgment for the two cases after Zhang and Ma filed an appeal, which upheld the original verdict. The Company has made an application to the court for enforcement, respectively.

For details on the Company's case against its stock pledge clients, Dulwich Investment Group Co., Ltd. and surnamed Zhou, please refer to the Company's announcement No. Lin 2020-048 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated April 30, 2020, 2020 interim report and 2020 annual report. As Dulwich has entered bankruptcy and reorganization procedures after the Company applied for enforcement, the Company has received the notice on ending the enforcement of the case from the court.

For details on the Company's case against its stock pledge client Zhejiang Runcheng Holding Group Co., Ltd. (浙江潤成控股集團有限公司), please refer to the Company's 2019 third quarterly report, 2019 annual report and 2020 annual report. Currently, the Company has recovered all its claims through the execution procedures.

For details on the Company's case against its margin financing and securities lending client surnamed Wu, please refer to the Company's 2017 annual report, 2018 interim report, 2018 annual report, 2019 interim report and 2020 annual report. Shanghai Financial Court has rejected his application for retrial after Wu filed a retrial application for this case to Shanghai Financial Court.

For details on the Company's case against its stock pledge client surnamed Shi, please refer to the Company's announcement No. Lin 2019-037 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated May 31, 2019, 2019 interim report and 2020 annual report. Currently, the Company has made an application to the court for enforcement.

For details on the Company's case against its stock pledge client surnamed Yin, please refer to the Company's 2018 third quarterly report, the Company's announcement No. Lin 2019-037 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated May 31, 2019, 2019 interim report and 2020 interim report. As there are new clues to the case after receiving the ruling on ending the execution procedure from the court, the Company has made an application for enforcement to the court currently.

For details on the Company's case against its stock pledge client surnamed Cui, please refer to the Company's 2018 third quarterly report, the Company's announcement No. Lin 2019-037 published on the website of SSE and announcement published on the website of the Hong Kong Stock Exchange dated May 31, 2019, 2019 annual report and 2020 interim report. The Company has received the judgment of Shanghai Financial Court, which ordered Cui to return the financing principal of RMB252 million and to pay the interest thereon and liquidated damages. Currently, the underlying securities have been disposed through the execution procedure.

SECTION VI SIGNIFICANT EVENTS

For details on Everbright Capital's arbitration case against Dalian Zeus Entertainment Co., Ltd. (大連天神娛樂股份有限公司), and natural persons surnamed Zhu and Wang, please refer to the 2019 annual report of the Company. Currently, Everbright Capital has received the arbitral award for the case, which requests that Dalian Zeus Entertainment Co., Ltd. shall pay the equity consideration of RMB2.50 million and Zhu and Wang shall pay income compensations of RMB14.73 million and RMB4.50 million and jointly assume liquidated damages, the lawyers' fees and the arbitration fees.

For details of the case, of which Everbright Capital filed a lawsuit against Huzhou Chengzhi Industrial Co., Ltd. (湖州呈志實業有限公司) and Zhejiang Roomeye Energy-Saving Technology Co., Ltd. (浙江瑞明節能科技股份有限公司), please refer to the 2020 interim report of the Company. At present, the case has been settled.

For details of the case, of which Everbright Leasing filed a lawsuit against Hanbang (Jiangyin) Petrochemical Co., Ltd. (漢邦(江陰)石化有限公司), Jiangyin Chengxing Industrial Group Co., Ltd. (江陰澄星實業集團有限公司) and a person surnamed Li, please refer to the 2020 interim report of the Company. Currently, Everbright Leasing has received the first-instance judgment, ruling that the defendants shall pay all due rent and the retained purchase price with a total amount of RMB48.8765 million and shall assume liquidated damages, the lawyers' fees and legal costs. Everbright Leasing has applied for enforcement of the above judgment.

For details of the case, of which O:TU INVESTMENTS LIMITED filed a lawsuit against Shanghai International Wine Exchange Co., Ltd. and Everbright Fortune, please refer to the 2017 annual report, the 2018 interim report, the 2018 annual report and the 2020 annual report of the Company. Currently, the appeal has been accepted by the Shanghai High People's Court.

For details of the relevant fourteen default cases of the Company on disputes over margin financing and securities lending transactions, please refer to the Company's 2020 annual report. Currently, the fourteen cases have been filed.

Everbright Capital submitted an arbitration application against a natural person surnamed Zhou and Guizhou Qingli Group Co., Ltd. (貴州青利集團有限公司). Please refer to the Company's 2019 annual report for details. Currently, Everbright Capital has received the arbitral award, which requests that Zhou shall pay a total of approximately RMB29.574 million for share repurchase and overdue interest, as well as overdue interest calculated based on the repurchase payments as principal, legal fees, preservation guarantee expenses and arbitration fees, and that Guizhou Qingli Group Co., Ltd. shall be jointly and severally liable for the payment obligations.

3. Relevant events of additional litigations during the Reporting Period and after the Reporting Period

On March 9, 2021, the Company submitted an arbitration to Shanghai International Arbitration Center with Everbright Securities Company Limited as the respondent on its disputes over the master agreement on bond pledge repurchase transactions. The amount involved in the case was approximately RMB196 million. It has been accepted by Shanghai International Arbitration Center.

On April 15, 2021, Shanghai Everbright Fortune Jinghui Investment Center (Limited Liability Partnership), a limited partnership fund managed by a subsidiary of the Company, Everbright Fortune Evertop Investment Management (Shanghai) Co., Ltd., and its offshore subsidiary Quantum Capital Resources Limited filed an arbitration to Hong Kong International Arbitration Center with Shenzhen Guangqi Hezhong Technology Co., Ltd. and Asean Telecommunications Limited as the respondents, on disputes over the breach of the share purchase agreement. The amount involved in the case was approximately RMB835 million. Currently, Hong Kong International Arbitration Center has initiated the arbitration procedure.

On April 22, 2021, a person surnamed Zhao filed a lawsuit against Sun Hung Kai Investment Services Limited, Sun Hung Kai Commodities Limited and Sun Hung Kai Forex Limited over the fraudulent and unauthorized transactions and fraudulent misrepresentations of a former customer manager with an amount involved of approximately HK\$81.43 million. The case has been accepted by the High Court of Hong Kong.

SECTION VI SIGNIFICANT EVENTS

On May 11, 2021, the Company filed a lawsuit against a natural person surnamed Yu on the equity transfer dispute. The amount involved in the case was approximately RMB25,254,900. The case has been accepted by the People's Court of Jing'an District of Shanghai.

On May 25, 2021, the Company filed a lawsuit against Shenzhen Qianhai Zhengfan Investment Management Co., Ltd. on disputes over margin financing and securities lending. The amount involved in the case was approximately RMB15,464,800. The case has been accepted by the People's Court of Jing'an District of Shanghai.

4. Important events in relation to wholly-owned subsidiaries

Everbright Jinhui Asset Management Co., Ltd. (Shanghai) Co., Ltd., a subsidiary of the Everbright Capital, serves as the executive partner of JinXin Investment Consultancy Partnership (Limited Partnership) ("**Jinxin Fund**"). The MPS project invested by Jinxin Fund failed to exit as originally planned. China Merchants Bank and Huarui Bank, the interested parties of two senior-tranche partners of JinXin Fund, filed lawsuits against Everbright Capital over other contract disputes related to the Shortfall Makeup Letter. Currently, Everbright Capital has received the Paper of Civil Judgment of the second instance. Merchants Bank and Huarui Bank have made an application for enforcement on the abovementioned matter and Everbright Capital has received the Notice of Enforcement. Various bank accounts of Everbright Capital have been frozen due to the lawsuit filed by Huarui Bank. Huarui Bank filed an arbitration against Everbright Jinhui on the same matter. Jiaxing Zhaoyuanyongjin Equity Investment Fund Partnership (Limited Partnership) applied for arbitration against Everbright Jinhui due to the private equity investment contract dispute. Shenzhen Hengxiang Equity Investment Fund LLP (Limited Partnership) applied for arbitration against Everbright Jinhui, Baofeng (Tianjin) Investment Management Co., Ltd. and Shanghai Qunchang Financial Service Company Limited due to the private equity investment contract dispute. The above-mentioned arbitrations have received the arbitral awards, which were finalized.

Jiaxing Zhaoyuanyongjin Equity Investment Fund Partnership (Limited Partnership) filed a lawsuit on the grounds of a tort liability dispute and demanded that Everbright Capital compensate for the loss of investment principal of RMB600 million and the corresponding interest. Guizhou Guian Financial Investment Co., Ltd. filed a lawsuit on the grounds of a tort liability dispute and demanded that Everbright Capital compensate for the loss of investment principal of RMB95 million and the corresponding interest and assume the legal costs on the case. Shanghai Dongxing Investment Holdings Co., Ltd. demanded that Everbright Capital and Everbright Jinhui compensate for the loss with a temporary amount of RMB246.5 million (including an investment principal of RMB170 million and the corresponding interest) and assume the legal costs on the case and property preservation fees on the grounds of other contract disputes. The above-mentioned cases are currently under first-instance trial.

In the case of Everbright Jinhui and Shanghai Jinxin against Baofeng Group and Feng Xin on the equity transfer dispute, the Beijing Higher People's Court ruled to reject the litigation claims of Everbright Jinhui and Shanghai Jinxin. The case has been appealed to the Supreme People's Court and is currently under trial by the Supreme People's Court. JINXIN INC. (Cayman Jinxin), a transaction party on overseas projects of Jinxin Fund, filed lawsuits to the high court of England and Wales against RICCARDO SILVA, ANDREA RADRIZZANI and other individuals and institutes, original seller shareholders of MPS, over fraudulent misrepresentations and breach of taxation commitments. The amount involved in the case was approximately US\$661,375,034.

Based on the latest development in related litigation and arbitration, the Company has made corresponding provisions for estimated liabilities and asset impairment for the above matters. The Company will continue to pay attention to the progress and results of this matter, and perform related information disclosure obligations. (For details, please refer to the announcements No. Lin 2019-008, No. Lin 2019-012, No. Lin 2019-016, No. Lin 2019-037, No. Lin 2019-051, No. Lin 2020-015, No. Lin 2020-049, No. Lin 2020-051, No. Lin 2020-080, No. Lin 2020-094, No. Lin 2021-006, No. Lin 2021-031, No. Lin 2021-037 and No. Lin 2021-045 of the Company published on the website of SSE and announcements published on the website of the Hong Kong Stock Exchange dated February 1, 2019, March 1, 2019, March 19, 2019, May 31, 2019, August 27, 2019, January 22, 2020, May 3, 2020, May 11, 2020, August 9, 2020, September 18, 2020, January 26, 2021, June 12, 2021, July 8, 2021 and August 21, 2021).

SECTION VII CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

I. Changes in Share Capital

(I) Table of changes in shares

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

As of June 30, 2021, 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. Particulars about Shareholders

(I) Total number of shareholders

As of the end of the Reporting Period, the total number of shareholders of ordinary shares was 230,222, of which 230,050 were holders of A Shares and 172 were registered holders of H Shares.

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

Unit: Shares

| Name of shareholders (Full name) | Changes in the number of shares during the Reporting Period | Shareholding of top ten shareholders | | Number of shares held with selling restrictions | Pledged, marked or frozen shares | | Nature of shareholders |
|---|---|---|----------------|---|----------------------------------|------------------|--------------------------|
| | | Number of shares held as of the end of the period | Percentage (%) | | Status of shares | Number of shares | |
| China Everbright Group Ltd. | 0 | 1,159,456,183 | 25.15 | - | Nil | - | State-owned legal person |
| China Everbright Limited | 0 | 960,467,000 | 20.83 | - | Frozen | 5,620,000 | Foreign legal person |
| HKSCC Nominees Limited | 5,800 | 703,684,500 | 15.26 | - | Unknown | - | Unknown |
| China Securities Finance Corporation Limited | (7,773,100) | 130,090,372 | 2.82 | - | Nil | - | Others |
| HKSCC Limited | 2,446,159 | 52,877,064 | 1.15 | - | Nil | - | Others |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | (5,025,300) | 36,005,145 | 0.78 | - | Nil | - | Others |
| ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan | 0 | 24,431,977 | 0.53 | - | Nil | - | Others |
| E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan | 0 | 23,174,586 | 0.50 | - | Nil | - | Others |
| Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| Zhong'ou Asset – Agricultural Bank of China – Zhong'ou CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| China AMC – Agricultural Bank of China – China AMC CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| China Southern Asset Management – Agricultural Bank of China – China Southern CSI Financial Asset Management Plan | 0 | 22,716,500 | 0.49 | - | Nil | - | Others |
| China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | (2,280,809) | 22,049,109 | 0.48 | - | Nil | - | Others |

SECTION VII CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Shareholding of top ten shareholders without selling restrictions

| Name of shareholders | 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 | 960,467,000 | RMB ordinary shares | 960,467,000 |
| HKSCC Nominees Limited | 703,684,500 | Overseas listed foreign shares | 703,684,500 |
| China Securities Finance Corporation Limited | 130,090,372 | RMB ordinary shares | 130,090,372 |
| HKSCC Limited | 52,877,064 | RMB ordinary shares | 52,877,064 |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | 36,005,145 | RMB ordinary shares | 36,005,145 |
| ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Asset Management Plan | 24,431,977 | RMB ordinary shares | 24,431,977 |
| E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan | 23,174,586 | RMB ordinary shares | 23,174,586 |
| Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| GF Fund – Agricultural Bank of China – GF CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| Zhong'ou Asset – Agricultural Bank of China – Zhong'ou CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| China AMC – Agricultural Bank of China – China AMC CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| China Southern Asset Management – Agricultural Bank of China – China Southern CSI Financial Asset Management Plan | 22,716,500 | RMB ordinary shares | 22,716,500 |
| China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | 22,049,109 | RMB ordinary shares | 22,049,109 |
| Description of the connected relationships or action in concert between the above shareholders | China Everbright Limited is a controlled subsidiary of China Everbright Holdings Company Limited, a wholly-owned subsidiary of China Everbright Group Ltd. Save for the above, the Company is unaware of any connected relationships or action in concert between the above shareholders. | | |

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

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

Note 3: Eight shareholders, including Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Asset Management Plan, hold the same number of shares and are tied for the ninth place.

SECTION VII CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

III. Changes in Shareholding of the Directors, Supervisors and senior management of the Company and equity incentives

None of the Directors, Supervisors and senior management of the Company directly held shares, stock options and restricted shares of the Company. During the Reporting Period, there were no changes in the shareholding. The Directors, Supervisors and senior management of the Company were not granted any equity incentives by the Company.

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

As at June 30, 2021, so far as the Directors, having made reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

| No. | Name of substantial shareholders ⁷ | Type of share | Nature of interests | Number of corresponding shares of the Company held (share) | Percentage of total issued shares of the Company ⁶ (%) | Percentage of total issued A Shares/ H Shares of the Company ⁶ (%) | Long position/ short position |
|-----|--|---------------|--|--|---|---|--------------------------------|
| 1 | Central Huijin Investment Ltd. (中央匯金投資有限責任公司) | A Share | Interests in controlled corporation ¹ | 37,568,900 | 0.81 | 0.96 | Long Position |
| | | A Share | Interests in controlled corporation ² | 2,141,706,183 2,179,275,083 | 46.45 47.26 | 54.82 55.78 | Long Position Long Position |
| 2 | Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司) | A Share | Beneficial owners | 37,568,900 | 0.81 | 0.96 | Long Position |
| 3 | China Everbright Group Ltd. (中國光大集團股份公司) | A Share | Beneficial owners | 1,159,456,183 | 25.15 | 29.68 | Long Position |
| | | A Share | Interests in controlled corporation ³ | 975,600,000 2,135,056,183 | 21.16 46.31 | 24.97 54.65 | Long Position Long Position |
| 4 | China Everbright Holdings Company Limited (中國光大集團有限公司) | A Share | Interests in controlled corporation ³ | 975,600,000 | 21.16 | 24.97 | Long Position |
| 5 | Datten Investments Limited | A Share | Interests in controlled corporation ³ | 975,600,000 | 21.16 | 24.97 | Long Position |
| 6 | Honorich Holdings Limited | A Share | Interests in controlled corporation ³ | 975,600,000 | 21.16 | 24.97 | Long Position |
| 7 | China Everbright Limited (中國光大控股有限公司) | A Share | Beneficial owners | 975,600,000 | 21.16 | 24.97 | Long Position |
| 8 | China State Construction Engineering Corporation | H Share | Interests in controlled corporation ⁴ | 138,812,800 | 3.01 | 19.72 | Long Position |
| 9 | China State Construction Engineering Corporation Limited (中國建築股份有限公司) | H Share | Interests in controlled corporation ⁴ | 138,812,800 | 3.01 | 19.72 | Long Position |
| 10 | CSCEC Capital (Hong Kong) Limited | H Share | Beneficial owners | 138,812,800 | 3.01 | 19.72 | Long Position |
| 11 | China Shipbuilding Capital Limited (中國船舶資本有限公司) | H Share | Beneficial owners | 138,588,800 | 3.01 | 19.68 | Long Position |
| 12 | Hengjian International Investment Holding (Hong Kong) Limited (恒健國際投資控股(香港)有限公司) | H Share | Beneficial owners | 131,344,200 | 2.85 | 18.65 | Long Position |
| 13 | Guangdong Hengjian Investment Holding Co., Ltd (廣東恒健投資控股有限公司) | H Share | Interests in controlled corporation ⁵ | 131,344,200 | 2.85 | 18.65 | Long Position |

SECTION VII CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Notes:

1. Central Huijin Investment Ltd. held 100% of the total issued share capital in Central Huijin Asset Management Limited. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in Central Huijin Asset Management Limited's interest in the Company under the SFO.
2. Central Huijin Investment Ltd. held a 55.67% interest in China Everbright Group Ltd. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in China Everbright Group Ltd.'s interest in the Company under the SFO.
3. Honorich Holdings Limited and Everbright Investment and Management Limited (光大投資管理有限公司) held 49.386% and 0.358% of the total issued share capital in China Everbright Limited, respectively; Datten Investments Limited held 100% of the total issued share capital in Honorich Holdings Limited; China Everbright Holdings Company Limited held 100% of the total issued share capital in Datten Investments Limited and Everbright Investment and Management Limited; China Everbright Group Ltd. held 100% of the total issued share capital in China Everbright Holdings Company Limited. Accordingly, each of the China Everbright Group Ltd., China Everbright Holdings Company Limited, Datten Investments Limited and Honorich Holdings Limited is deemed to be interested in China Everbright Limited's interests in the Company under the SFO.
4. China State Construction Engineering Corporation Limited held 100% of the total issued share capital in CSCEC Capital (Hong Kong) Limited; China State Construction Engineering Corporation held 56.26% of the total issued share capital in China State Construction Engineering Corporation Limited. Accordingly, China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation are deemed to be interested in CSCEC Capital (Hong Kong) Limited's interests in the Company under the SFO.
5. Guangdong Hengjian Investment Holding Co., Ltd held 100% of the total issued share capital in Hengjian International Investment Holding (Hong Kong) Limited. Accordingly, Guangdong Hengjian Investment Holding Co., Ltd. is deemed to be interested in Hengjian International Investment Holding (Hong Kong) Limited's interest in the Company under the SFO.
6. As of June 30, 2021, the total issued shares of the Company were 4,610,787,639, of which 3,906,698,839 were A Shares and 704,088,800 were H Shares.
7. Under Part XV of the SFO, disclosure of interest forms shall be submitted by shareholders of the Company upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Company, shareholders are not required to inform the Company and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial shareholders' latest shareholdings in the Company and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is based on the disclosure of interests forms submitted by the relevant shareholders.

Save as disclosed above, as of June 30, 2021, 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 VII CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

As at June 30, 2021, Mr. Yin Lianchen, a non-executive Director of the Company, had personal interest of 26,000 shares of Everbright Limited, representing 0.00% of the total issued share capital of Everbright Limited. Everbright Limited is an associated corporation of the Company.

Save as disclosed above, as of June 30, 2021, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein. At no time was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements during the Reporting Period to enable the directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

VI. Repurchase, Sale or Redemption of the Listed Securities of the Company and Its Subsidiaries

Save as disclosed in this report, during the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any listed securities of the Company and its subsidiaries.

SECTION VIII RELEVANT INFORMATION ON PREFERENCE SHARES

The Company did not have any matters relating to preference shares.

SECTION IX RELEVANT INFORMATION ON BONDS

I. Enterprise Bonds, Corporate Bonds and Debt Financing Instruments of Non-financial Enterprises

(I) Corporate bonds

1. Overview of corporate bonds

Unit: 100 million Currency: RMB

| Bond name | Abbreviation | Code | Issue date | Value date | Maturity date | Balance of bonds | Interest rate (%) | Principal and interest payment method | Places of transaction | Arrangements for investors' appropriateness (if any) | Trading mechanism | Any risk of termination of listing and trading or not |
|---|--------------------------|--------|--------------------|--------------------|--------------------|------------------|-------------------|---------------------------------------|-----------------------|--|--|---|
| 17G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2) | EVERBRIGHT SECURITIES G2 | 143155 | July 3, 2017 | July 4, 2017 | July 4, 2022 | 15 | 4.7 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 17G4 EBS Public Offering Corporate Bonds (Second Tranche) (Type 2) | EVERBRIGHT SECURITIES G4 | 143326 | October 12, 2017 | October 16, 2017 | October 16, 2022 | 16 | 4.9 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 18G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1) | EVERBRIGHT SECURITIES G3 | 143652 | September 21, 2018 | September 26, 2018 | September 26, 2021 | 28 | 4.3 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 18C1 EBS Non-public Offering Subordinated Bonds (First Tranche) | EVERBRIGHT SECURITIES C1 | 150942 | December 11, 2018 | December 13, 2018 | December 13, 2021 | 30 | 4.3 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 1901 EBS Non-public Offering Corporate Bonds (First Tranche) | EVERBRIGHT SECURITIES 01 | 151115 | January 17, 2019 | January 22, 2019 | January 22, 2022 | 30 | 3.88 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 1902 EBS Non-public Offering Corporate Bonds (Second Tranche) | EVERBRIGHT SECURITIES 02 | 162002 | August 20, 2019 | August 22, 2019 | August 22, 2022 | 30 | 3.75 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20F1 EBS Non-public Offering Corporate Bonds (First Tranche) (Epidemic prevention bond) | EVERBRIGHT SECURITIES F1 | 166222 | March 5, 2020 | March 9, 2020 | March 9, 2023 | 30 | 3.19 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20G1 EBS Public Offering Corporate Bonds (First Tranche) | EVERBRIGHT SECURITIES G1 | 163641 | June 18, 2020 | June 22, 2020 | June 22, 2023 | 15 | 3.1 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1) | EVERBRIGHT SECURITIES G3 | 163731 | July 10, 2020 | July 14, 2020 | July 14, 2023 | 37 | 3.6 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20Y1 EBS Public Offering Perpetual Subordinated Bonds (First Tranche) | EVERBRIGHT SECURITIES Y1 | 175000 | August 13, 2020 | August 17, 2020 | August 17, 2025 | 20 | 4.4 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |

SECTION IX RELEVANT INFORMATION ON BONDS

| Bond name | Abbreviation | Code | Issue date | Value date | Maturity date | Balance of bonds | Interest rate (%) | Principal and interest payment method | Places of transaction | Arrangements for investors' appropriateness (if any) | Trading mechanism | Any risk of termination of listing and trading or not |
|---|--------------------------------------|--------|----------------------|----------------------|----------------------|------------------|-------------------|---|-----------------------|--|--|---|
| 20G5 EBS Public Offering Corporate Bonds (Third Tranche) | 20 EVERBRIGHT SECURITIES G5 | 175062 | August 26, 2020 | August 28, 2020 | August 28, 2023 | 48 | 3.7 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20S1 EBS Short-term Public Offering Corporate Bonds (First Tranche) | 20 EVERBRIGHT SECURITIES S1 | 163829 | October 15, 2020 | October 19, 2020 | October 18, 2021 | 50 | 3.2 | Payment of principal and interest at maturity | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20G6 EBS Public Offering Corporate Bonds targeted at Professional Investors (Fourth Tranche) (Type 1) | 20 EVERBRIGHT SECURITIES G6 | 175583 | December 23, 2020 | December 25, 2020 | December 27, 2021 | 30 | 3.12 | Payment of principal and interest at maturity | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 20G7 EBS Public Offering Corporate Bonds targeted at Professional Investors (Fourth Tranche) (Type 2) | 20 EVERBRIGHT SECURITIES G7 | 175584 | December 23, 2020 | December 25, 2020 | December 25, 2023 | 17 | 3.6 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21G1 EBS Public Offering Corporate Bonds targeted at Professional Investors (First Tranche) | 21 EVERBRIGHT SECURITIES G1 | 175631 | January 12, 2021 | January 14, 2021 | January 14, 2024 | 53 | 3.57 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21Y1 EBS Public Offering Perpetual Subordinated Bonds (First Tranche) | 21 EVERBRIGHT SECURITIES Y1 | 188104 | May 11, 2021 | May 13, 2021 | May 13, 2026 | 30 | 4.19 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21G2 EBS Public Offering Corporate Bonds targeted at Professional Investors (Second Tranche) (Type 1) | 21 EVERBRIGHT SECURITIES G2 | 188195 | June 3, 2021 | June 7, 2021 | June 7, 2024 | 20 | 3.3 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21G3 EBS Public Offering Corporate Bonds targeted at Professional Investors (Second Tranche) (Type 2) | 21 EVERBRIGHT SECURITIES G3 | 188196 | June 3, 2021 | June 7, 2021 | June 7, 2026 | 10 | 3.67 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21G4 EBS Public Offering Corporate Bonds targeted at Professional Investors (Third Tranche) (Type 1) | 21 EVERBRIGHT SECURITIES G4 | 188382 | July 14, 2021 | July 16, 2021 | July 16, 2024 | 13 | 3.12 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21G5 EBS Public Offering Corporate Bonds targeted at Professional Investors (Third Tranche) (Type 2) | 21 EVERBRIGHT SECURITIES G5 | 188383 | July 14, 2021 | July 16, 2021 | July 16, 2026 | 17 | 3.45 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |
| 21G6 EBS Public Offering Corporate Bonds targeted at Professional Investors (Fourth Tranche) (Type 1) | 21 EVERBRIGHT SECURITIES G6 | 188558 | August 9, 2021 | August 11, 2021 | August 11, 2024 | 30 | 3.12 | Payment of interest on a yearly basis | SSE | Public offering targeted at professional investors | Trading by bidding, quotation, enquiry and agreement | No |

SECTION IX RELEVANT INFORMATION ON BONDS

2. *Triggering and implementation of issuer or investor option terms and investor protection terms*

During the Reporting Period, the Company implemented major terms of the current tranche of corporate bonds of the issuer in strict compliance with the prospectus and paid the interest of bonds in a timely manner to safeguard the legitimate interests of investors. Meanwhile, the Company maintained stable operations and good profitability. There was no default in the redemption of, or payment of interest on, the bonds issued by the Company and none of relevant investor protection terms was triggered.

For the triggering and implementation of option terms and investor protection terms on the perpetual subordinated bonds 20 EVERBRIGHT SECURITIES Y1 and 21 EVERBRIGHT SECURITIES Y1 issued by the Company during the Reporting Period, please refer to Note 53 to the consolidated financial statements.

3. *Implementation and changes of guarantees, debt repayment plans and other safeguard measures regarding debt repayment during the Reporting Period and their effects*

As at the date of this report, the Company adopted the method of unsecured issuance to its existing bonds. The Company performs its obligations in respect of annual interest payment and principal repayment with interest upon expiry of each tranche of bonds in a timely manner. The Company enjoys good solvency, and the Company's funds for debt repayment will be financed by accumulated profits generated from the ordinary course of business and cash flows generated from the Company's operating activities. The Company's income scale and accumulated profits basically ensures the capability of the Company of repaying the principal amount and the corresponding interest on time. During the Reporting Period, the Company implemented debt repayment plans and other safeguard measures regarding debt repayment in strict compliance with the prospectus.

4. *Use of proceeds*

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

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

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

The proceeds raised from the issuance of 20 EVERBRIGHT SECURITIES G1, 20 EVERBRIGHT SECURITIES G3, 20 EVERBRIGHT SECURITIES G5, 20 EVERBRIGHT SECURITIES S1, 20 EVERBRIGHT SECURITIES G6, 20 EVERBRIGHT SECURITIES G7 and 21 EVERBRIGHT SECURITIES G1, after deducting issuance expenses and other related expenses, were all used in the replenishment of working capital of the Company needed for its daily operations.

SECTION IX RELEVANT INFORMATION ON BONDS

The proceeds raised from the issuance of 21 EVERBRIGHT SECURITIES G2, 21 EVERBRIGHT SECURITIES G3, 21 EVERBRIGHT SECURITIES G4, 21 EVERBRIGHT SECURITIES G5 and 21 EVERBRIGHT SECURITIES G6, after deducting issuance expenses, were all used in the replenishment of liquidity of the Company needed for its daily operations, and could not be used for the placement and subscription of new shares, or for the trading of stocks and their derivatives and convertible corporate bonds and other non-productive expenses.

The proceeds raised from the issuance of 20 EVERBRIGHT SECURITIES Y1, after deducting issuance expenses and other related expenses, were used in the replenishment of working capital and repayment of due debts.

The proceeds raised from the issuance of 21 EVERBRIGHT SECURITIES Y1, after deducting issuance expenses and other related expenses, were used in the replenishment of working capital.

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

5. *Approval procedures for the utilization of proceeds*

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

6. *Operation of special accounts*

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

As at the date of this report, the special proceeds account of the Company was under normal operation and the drawdown and utilization of the proceeds were in line with the purposes of the proceeds as stated in the prospectuses.

SECTION IX RELEVANT INFORMATION ON BONDS

(II) Accounting Data and Financial Indicators as of the end of the Reporting Period and the end of last year

Unit: Ten Thousand Yuan Currency: RMB

| Main indicator | As of the end | As of the end | Increase/ decrease for the end of Reporting Period over the end of last year (%) | Reason for the change |
|--|---------------------------------------|-----------------------------|--|--|
| | of the Reporting Period | of last year | | |
| Current ratio | 2.28 | 2.02 | 12.87 | |
| Quick ratio | 1.32 | 1.17 | 12.82 | |
| Gearing ratio (%) | 67.91 | 68.53 | Decreased by 0.62 percentage point | |
| Main indicator | During the | During the | Increase/ decrease for the end of Reporting Period over the same period of last year (%) | Reason for the change |
| | Reporting Period (January to June) | same period of last year | | |
| Net profit after deducting non-recurring profit or loss | 207,554.39 | 200,588.97 | 3.47 | |
| EBITDA to total debts ratio | 0.07 | 0.09 | (22.22) | |
| Interest coverage ratio | 3.75 | 3.83 | (2.09) | |
| Cash interest coverage ratio | 0.90 | 1.31 | (31.30) | Decrease in net cash flow from operating activities |
| EBITDA interest coverage ratio | 4.02 | 4.16 | (3.37) | |
| Loan payment ratio (%) | N/A | N/A | N/A | |
| Interest payment ratio (%) | 136.98 | 140.62 | Decreased by 3.64 percentage points | |

Note: The above financial indicators are based on calculation in accordance with the PRC GAAP. The effect of client funds has been excluded from the net cash flow from operating activities.

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

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

| Date | Work unit | Document number | Title of document |
|--------------|---|-------------------------------|---|
| June 2, 2021 | Securities and Funds Institutions Regulatory Department of China Securities Regulatory Commission | Ji Gou Bu Han [2021] No. 1683 | Reply on Matters Concerning Everbright Securities Company Limited's Pilot Fund Investment Consulting Business |

II. Classification Results of the Company from Regulatory Authorities

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

In 2020, the Company was awarded a regulatory classification rating for securities firms of Grade AA of Category A.

In 2021, the Company was awarded a regulatory classification rating for securities firms of Grade AA of Category A.

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

(I) Business qualifications of the Company

| Approving Authority | Business Qualification |
|------------------------|--|
| People's Bank of China | Qualification for proprietary trading business (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81) |
| | Investment consultancy and financial advisory businesses (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81) |
| | Underwriting of commercial papers (Notice of the People's Bank of China on Engaging in Underwriting of Commercial Papers by Everbright Securities Limited and Haitong Securities Co., Ltd., Yin Fa [2005] No. 173) |
| | Proprietary trading and leasing of gold (Notice on Delivery of Filing Materials, Yin Shi Huang Jin Bei [2015] No. 31) |
| | Member of the national inter-bank market (inter-bank lending and trading of bonds, spot bonds transactions and bond repurchase businesses) (Notice on Approving the Admission of Some Securities Companies into the National Inter-bank Market, Yin Ban Fa [1999] No. 147) |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| Approving Authority | Business Qualification |
|-----------------------------|--|
| CSRC and its branch offices | Qualification for proxy sales of financial products (Hu Zheng Jian Ji Gou Zi [2012] No. 547) |
| | Qualification for proxy sales of open-ended securities investment funds (Zheng Jian Ji Jin Zi [2004] No. 49) |
| | Qualification for intermediary introduction for futures (Hu Zheng Jian Ji Gou Zi [2010] No. 121) |
| | Integrated custody for private funds (pilot) (Letter of No Objection on Carrying Out Integrated Custody for Private Funds (Pilot) by Everbright Securities Company Limited, CSRC Ji Gou Bu Bu Han [2013] No. 21) |
| | Sponsor underwriting and merger and acquisition businesses |
| | Agency for spot precious metal (including gold) contracts and proprietary trading of spot gold contracts (Letter of No Objection on Carrying Out the Businesses of Agency for Precious Metals (including Gold) Spot Contract and Proprietary Trading of Spot Gold Contract by Everbright Securities Company Limited, Ji Gou Bu Han [2015] No. 280) |
| | 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 stock index options (Reply on Opinions of Everbright Securities Company Limited in Market Making for Stock Index Options, Ji Gou Bu Han [2019] No. 3065) |
| | Market making for stock options (Reply on Approving the Qualification of Everbright Securities Company Limited in Market Making for Stock Options, Zheng Jian Xu Ke [2015] No. 164) |
| | Qualification for margin financing and securities lending businesses (Zheng Jian Xu Ke [2010] No. 314) |
| | Securities transactions under repurchase agreements (pilot) (Ji Gou Bu Bu Han [2012] No. 459) |
| | Qualification for entrusted investment management (Reply on Approving the Qualification of Everbright Securities Limited in Entrusted Investment Management, Zheng Jian Ji Gou Zi [2002] No. 127) |
| | Carrying out of direct investment business (pilot) (Letter of No Objection on Carrying Out Direct Investment Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2008] No. 446) |
| | Notice on supporting the carrying out of credit derivatives by securities companies and serving private enterprises in bond financing (Hu Zheng Jian Ji Gou Zi [2019] No. 41) |
| | Letter of No Objection on Carrying Out Client Securities Capital Consumption Payment Services Business (Pilot) by Everbright Securities Company Limited (CSRC Ji Gou Bu Bu Han [2012] No. 560) |
| | Qualification for securities investment funds custodian business (Zheng Jian Xu Ke [2020] No. 1242) |
| | Qualification for fund investment consulting business (Zheng Jian Ji Gou Bu Han [2021] No. 1683) |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| Approving Authority | Business Qualification |
|---------------------------------|---|
| Securities Association of China | <p>Qualification for nominated advisers and brokers engaged in agency share transfer business (Notice on Granting Qualification for Nominated Advisers and Brokers Engaged in Agency Share Transfer Business, Zhong Zheng Xie Fa [2003] No. 94)</p> <p>Qualification for stock quotation and transfer business (Letter on Granting Qualification for Quotation and Transfer Business to Everbright Securities Company Limited, Zhong Zheng Xie Han [2006] No. 3)</p> <p>Become a secondary dealer for OTC options business to carry out related OTC options business (Letter on Unifying the Filing of Secondary Dealers for OTC Options Businesses, Zhong Zheng Xie Han [2018] No. 657)</p> <p>Underwriting of SME private placement bonds (Zhong Zheng Xie Han [2012] No. 374)</p> |
| Shanghai Stock Exchange | <p>Lead market maker of CSI 300ETF options of Shanghai Stock Exchange (Notice on Everbright Securities Company Limited in carrying out business as the Lead Market Maker of CSI 300ETF Options, Shang Zheng Han [2019] No. 2301)</p> <p>Lead market maker for SSE 50ETF options (Qualification for Lead Market Maker of SSE 50ETF Options, Shang Zheng Han [2016] No. 152)</p> <p>Qualification for participant of stock options transactions of Shanghai Stock Exchange (stock options brokerage, authority for proprietary trading business) (Notice on Everbright Securities Company Limited Becoming a Participant of Stock Options Transactions of Shanghai Stock Exchange, Shang Zheng Han [2015] No. 63)</p> <p>Qualifications for A-share trading unit transactions under Southbound Trading (Shang Zheng Han [2014] No. 650)</p> <p>Authority for securities transactions under repurchase agreements (Shang Zheng Hui Zi [2012] No. 176)</p> <p>Authority for collateralized stock repurchase transactions (Shang Zheng Hui Zi [2013] No. 67)</p> |
| Shenzhen Stock Exchange | <p>Lead market maker of CSI 300ETF options of Shenzhen Stock Exchange (Notice on approving CITIC Securities and other option agencies to become Market Maker of CSI 300ETF Options on Shenzhen Stock Exchange, Shen Zheng Hui [2019] No. 483)</p> <p>Authority for securities transactions under repurchase agreements (Shen Zheng Hui [2013] No. 15)</p> <p>Authority for collateralized stock repurchase transactions (Shen Zheng Hui [2013] No. 58)</p> <p>Financing for exercise of options under share options incentive schemes of listed companies (pilot) (Shen Zheng Han [2014] No. 320)</p> <p>Authority for transactions under Southbound Trading of Shenzhen – Hong Kong Stock Connect (Shen Zheng Hui [2016] No. 330)</p> <p>Dealer authority for stock option transactions on Shenzhen Stock Exchange (Shen Zheng Hui [2019] No. 470)</p> |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| Approving Authority | Business Qualification |
|---------------------|---|
| Other Institutions | Market maker of CSI 300ETF stock index options of China Financial Futures Exchange (Notice on Announcing the List of Market Maker of CSI 300ETF Stock Index Options) |
| | Market making for National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2014] No. 772) |
| | Filing as outsourcing services institution for private funds (Asset Management Association of China, Filing Number: A00037) |
| | Qualification for commercial paper transactions of Shanghai Commercial Paper Exchange (Piao Jiao Suo [2017] No. 9) |
| | Qualification for interbank gold bilateral transactions (Reply on Approving the Carrying Out of Interbank Gold Bilateral Transactions by Everbright Securities Company Limited, Shang Jin Jiao Fa [2017] No. 68) |
| | Interest rate swaps |
| | Pooled settlement of and quotation for credit default swaps (Notice on Approval of Becoming a Member of the Group for Pooled Settlement of and Quotation for Credit Default Swaps) |
| | Margin refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 124) |
| | Refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 115) |
| | Securities lending refinancing (pilot) (Zhong Zheng Jin Han [2013] No. 45) |
| | Adjusting the credit limit of refinancing (Zhong Zheng Jin Han [2014] No. 278, Zhong Zheng Jin Han [2016] No. 28) |
| | Qualification for Agreed Reporting Refinancing Business on Sci-Tech Innovation Board (pilot) (Zhong Zheng Jin) |
| | Securities business foreign exchange operation license (foreign currency securities underwriting, foreign currency securities brokerage and foreign currency lending) (Notice of Approving Everbright Securities Company Limited Changing the Company Name Set Out in Securities Business Foreign Exchange Operation License, Shanghai Hui Fu [2005] No.72) |
| | Lead Underwriter for Debt Financing Instruments of Non-financial Enterprises (Announcement of National Association of Financial Market Institutional Investors, [2012] No. 19) |
| | Qualifications for Independently Conducting Lead Underwriting Business for Debt Financing Instruments of Non-financial Enterprises (Zhong Shi Xie Fa [2020] No. 170) |
| | Special membership qualification of Shanghai Gold Exchange: No. T009 (April 3, 2015) |
| | Qualification for recording military confidential business consultancy services in a secured and confidential condition (Certifying authority: State Administration of Science, Technology and Industry for National Defence, certificate number: 151912006) |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| Approving Authority | Business Qualification |
|--|---|
| China Securities Depository and Clearing Co., Ltd. | Qualification for account opening agency |
| | Qualification for class A clearing participant (Zhong Guo Jie Suan Han Zi [2008] No. 12) |
| | Qualification for participation in multilateral net amount guarantee settlement (Zhong Guo Jie Suan Fa Zi [2014] No. 28) |
| | Qualification for digital certificate service agency |
| | Qualification for securities pledge registration agency |
| | Qualification for settlement of options (Zhong Guo Jie Suan Han Zi [2015] No. 28) |
| | Qualification for remote account opening for special institutions and products |
| Interbank Market Clearing House Co., Ltd. | Qualification for clearing of bond netting transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Zhun Zi [2015] No. 049) |
| | Qualification for the central clearing business of standard bond forward transactions of Shanghai Clearing House (Qing Suan Suo Hui Yuan Zhun Zi [2015] No. 115) |
| | Notice on Matters regarding Participation in the Centralized Clearing Business of Credit Default Swap (2018 Bian Han No. 355) |
| | Key dealer of credit risk mitigation tool, December 21, 2018 http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74478.html |
| | Creator of credit risk mitigation warrant, December 21, 2018 http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74477.html |
| | Creator of credit-linked notes, December 21, 2018 http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74476.html |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

(II) Business qualifications of controlling subsidiaries

Name of Controlling Subsidiary Business Qualification

| | |
|---|---|
| Everbright Asset Management | License for carrying out securities futures business in the People's Republic of China (serial number: 000000000653) |
| | License for qualified domestic institutional investor to carry out overseas securities investment and management business (Reply on Approving the Establishment of a Securities Management Subsidiary of Everbright Securities Company Limited) (Zheng Jian Xu Ke [2011] No.1886) |
| | Entrusted insurance fund management http://www.gov.cn/gzdt/2012-10/12/content_2242366.htm |
| Everbright Futures and its subsidiaries | Commodity futures brokerage (CSRC) |
| | Financial futures brokerage (Zheng Jian Qi Huo Zi [2007] No. 297) |
| | Qualification for IB business (Hu Zheng Jian Qi Huo Zi [2010] No. 74) |
| | Futures investment consultancy (Zheng Jian Xu Ke [2011] No. 1770) |
| | Asset management (Zheng Jian Xu Ke [2012] No. 1499) |
| | Sales of public offered securities investment funds (Hu Zheng Jian Xu Ke [2017] No. 10) |
| | Qualification for the comprehensive settlement of financial futures (Zheng Jian Qi Huo Zi [2007] No.298) |
| | Stock options (Shang Zheng Han [2015] No. 168, Shen Zheng Han [2019] No.721) |
| | Business qualifications of Everbright Photon: warehouse receipt service, pricing service (business name is now changed to OTC derivatives business), basis trading (business name is now changed to basis trade), third-party risk management services (business name is now changed to other business related to risk management services) (China Futures Association Han Zi [2014] No. 364) |
| | Business qualifications of Everbright Photon: Market making (China Futures Association Bei Zi [2018] No. 56) |
| Everbright Capital | Private funds (Public Notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch)) |
| Everbright Development | Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch)) |
| Everbright Fortune | Member as alternative investment subsidiaries (4th Batch of Member as Private Investment Funds Subsidiaries and Alternative Investment Subsidiaries of Securities Association of China) |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

Name of Controlling Subsidiary Business Qualification

| | |
|----------------------|---|
| Everbright Pramerica | <p>License for carrying out securities futures business in the People's Republic of China (serial number: 000000029148)</p> <p>Specific business (Reply on Approving the Carrying Out of Asset Management for Specific Clients by Everbright Pramerica Fund Management Co., Ltd., Zheng Jian Xu Ke [2008] No. 1007)</p> <p>Qualified domestic institutional investor (Reply on Approving the Carrying Out of Overseas Securities Investment Management by Everbright Pramerica Fund Management Co., Ltd. as a Qualified Domestic Institutional Investor, Zheng Jian Xu Ke [2008] No. 1044)</p> <p>Entrusted insurance fund management</p> |
| EBSHK | <p>License for carrying out securities futures business in the People's Republic of China – Domestic securities investment (serial number: 000000029442)</p> |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| | | | |
|--|--|--|--|
| EBSHK | Sun Hung Kai Investment Services Limited | Type 1 regulated activity – Dealing in securities | (SFC AAC153) |
| | | Type 4 regulated activity – Advising on securities | |
| | | Type 9 regulated activity – Asset management | |
| | | HKEx participant | (HKEx certificate number P1709) |
| | | Financial intermediary business of the Monetary Authority of Macao | Monetary Authority of Macao |
| | Sun Hung Kai (Nominees) Limited | Associated entity | (SFC AAS942) |
| | | Trust and corporate service provider | (Hong Kong Companies Registry license number TC002563) |
| | Sun Hung Kai Commodities Limited | Type 2 regulated activity – Dealing in futures contracts | (SFC AAF237) |
| | Sun Hung Kai Forex Limited | Type 3 regulated activity – Leveraged foreign exchange trading | (SFC ACI995) |
| | | Money Service Operator | (Hong Kong Customs and Excise Department, license number: 12-09-00833) |
| | SHK Online (Securities) Limited | Type 1 regulated activity – Dealing in securities | (SFC AAC483) |
| | Sun Hung Kai International Commodities Limited | Type 1 regulated activity – Dealing in securities | (SFC AAI430) |
| | | Type 6 regulated activity – Advising on corporate finance | |
| | SHK Fund Management Limited | Type 1 regulated activity – Dealing in securities | (SFC AAI432) |
| | | Type 4 regulated activity – Advising on securities | |
| | | Type 9 regulated activity – Asset management | |
| China Everbright Securities (HK) Limited | Type 1 regulated activity – Dealing in securities | (SFC AAW536) | |
| | Type 4 regulated activity – Advising on securities | | |
| | Type 6 regulated activity – Advising on corporate finance | | |
| | Type 9 regulated activity – Asset management | | |
| | HKEx participant | (HKEx certificate number P1260) | |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| | | | |
|---|--|---|---|
| EBSHK | China Everbright Forex & Futures (HK) Limited | Type 2 regulated activity – Dealing in futures contracts | (SFC AEX690) |
| | | Type 3 regulated activity – Leveraged foreign exchange trading | |
| | China Everbright Research Limited | Type 4 regulated activity – Advising on securities | (SFC AEH589) |
| | China Everbright Capital Limited | Type 1 regulated activity – Dealing in securities | (SFC ACE409) |
| | | Type 4 regulated activity – Advising on securities | |
| | | Type 6 regulated activity – Advising on corporate finance | |
| | China Everbright Securities Asset Management Limited | Type 1 regulated activity – Dealing in securities | (SFC AYE648) |
| | | Type 4 regulated activity – Advising on securities | |
| | | Type 9 regulated activity – Asset management | |
| | | License for carrying out securities futures business in the People's Republic of China – Domestic securities investment (serial number: 000000029462) | (China Securities Regulatory Commission) |
| | Sun Hung Kai Wealth Management Limited | Insurance brokerage business – General insurance and long-term insurance (including investment-linked long-term insurance) | (Hong Kong Insurance Authority FB1134) |
| | | Mandatory Provident Fund intermediary | (Hong Kong Mandatory Provident Fund Schemes Authority IC000854) |
| | Sun Hung Kai Insurance Consultants Limited | Insurance brokerage business – General insurance and long-term insurance (including investment-linked long-term insurance) | (Hong Kong Insurance Authority FB1019) |
| Insurance brokerage business of the Monetary Authority of Macao | | (Monetary Authority of Macao 02/CRE) | |
| Mandatory Provident Fund intermediary | | (Hong Kong Mandatory Provident Fund Schemes Authority IC000203) | |
| China Everbright Wealth Management Limited | Insurance brokerage business – General insurance and long-term insurance (including investment-linked long-term insurance) | (Hong Kong Insurance Authority FB1153) | |

SECTION X INFORMATION DISCLOSURE OF SECURITIES FIRMS

| | | | |
|-------|--|--|---|
| EBSHK | Sun Hung Kai Insurance Agency Limited | Insurance agent business | (Hong Kong Insurance Authority FA2265) |
| | Sun Tai Cheung Finance Company Limited | Money lender | (Licensing Office (Money Lender Licensing Section) of Hong Kong Police Force, file number: MLR2132; money lender's license number: 0868/2020) |
| | Sun Hung Kai Bullion Company Limited | Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: <ul style="list-style-type: none"> – 99 Tael Gold – 999.9 Kilo Gold HKD – Loco London Gold – Loco London Silver | (The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M950; membership number: 044) |
| | Sun Hing Bullion Company Limited | Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: <ul style="list-style-type: none"> – 99 Tael Gold – 999.9 Kilo Gold HKD | (The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M949; membership number: 040) |
| | Shun Loong Bullion Limited | Member of the Chinese Gold and Silver Exchange Society of Hong Kong approved to trade: <ul style="list-style-type: none"> – 99 Tael Gold – 999.9 Kilo Gold HKD | (The Chinese Gold and Silver Exchange Society of Hong Kong, license number: M951; membership number: 068) |
| | Everbright Sun Hung Kai (UK) Company Limited | Dealing in securities; advising on securities; studying China's macro policies, industry policies and A shares (through Everbright Securities, its subsidiary in Shanghai) and global depositary receipt cross-border conversion institution in UK for the Shanghai-London Stock Connect program | (Registration Number of English corporate: 07106467, a member of London Stock Exchange and registered in UK Financial Conduct Authority – Ref. NO.: 524544, Chinese Depositary Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange – Shang Zheng Han [2019] No. 2141) |

Everbright Securities Company Limited

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

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



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INDEPENDENT REVIEW REPORT

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 73, which comprises the condensed consolidated statement of financial position of Everbright Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
26 August 2021

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Revenue | | | |
| Fee and commission income | 4 | 4,484,480 | 4,333,221 |
| Interest income | 5 | 3,176,027 | 2,812,068 |
| Net investment gains | 6 | 814,623 | 1,410,517 |
| Total revenue | | 8,475,130 | 8,555,806 |
| Other income and gains | 7 | 2,077,532 | 394,478 |
| Total revenue and other income | | 10,552,662 | 8,950,284 |
| Expenses | | | |
| Fee and commission expenses | 8 | (704,803) | (669,397) |
| Interest expenses | 9 | (1,894,900) | (2,007,752) |
| Staff costs | 10 | (2,057,391) | (2,009,323) |
| Depreciation and amortisation expenses | 11 | (290,096) | (351,819) |
| Tax and surcharges | | (37,980) | (37,818) |
| Other operating expenses | 12 | (2,469,777) | (749,370) |
| Impairment losses | | (605) | - |
| Credit loss expense | 13 | (165,051) | (183,040) |
| Total expenses | | (7,620,603) | (6,008,519) |
| Operating profit | | 2,932,059 | 2,941,765 |
| Share of profit of associates and joint ventures | | 48,974 | 44,341 |
| Profit before income tax | | 2,981,033 | 2,986,106 |
| Income tax expense | 14 | (677,143) | (763,692) |
| Profit for the period | | 2,303,890 | 2,222,414 |
| Attributable to: | | | |
| Shareholders of the Company | | 2,262,277 | 2,151,890 |
| Non-controlling interests | | 41,613 | 70,524 |
| Total | | 2,303,890 | 2,222,414 |
| Basic and diluted earnings per share | | | |
| (in RMB per share) | 16 | 0.48 | 0.47 |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Six months ended 30 June | |
|---|---------------------------------|-------------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | <u>2,303,890</u> | <u>2,222,414</u> |
| Other comprehensive income for the period | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Debt investments at fair value through other comprehensive income | | |
| -Net changes in fair value | 66,901 | 64,956 |
| -Provision for/(reversal of) ECL allowance | 1,740 | (8,598) |
| -Reclassified to profit or loss | (69,327) | (65,649) |
| Share of other comprehensive income of associates | (14) | (369) |
| Exchange differences on translation of financial statements in foreign currencies | (15,958) | 36,195 |
| Income tax impact | 168 | 2,309 |
| | <u>(16,490)</u> | <u>28,844</u> |
| Total items that may be reclassified subsequently to profit or loss | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Equity investments designated at fair value through other comprehensive income | | |
| -Net changes in fair value | (213,310) | (62,999) |
| -Income tax impact | 53,328 | 15,750 |
| | <u>(159,982)</u> | <u>(47,249)</u> |
| Total items that will not be reclassified subsequently to profit or loss | | |
| Total other comprehensive income for the period, net of tax | <u>(176,472)</u> | <u>(18,405)</u> |
| Total comprehensive income for the period | <u><u>2,127,418</u></u> | <u><u>2,204,009</u></u> |
| Attributable to: | | |
| Shareholders of the Company | 2,085,805 | 2,114,431 |
| Non-controlling interests | 41,613 | 89,578 |
| | <u>2,127,418</u> | <u>2,204,009</u> |
| Total | <u><u>2,127,418</u></u> | <u><u>2,204,009</u></u> |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | <u>Notes</u> | 30 June 2021 | 31 December 2020 |
|--|--------------|-------------------------|-----------------------------|
| | | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property and equipment | 17 | 846,046 | 883,098 |
| Right-of-use assets | 18 | 779,983 | 822,268 |
| Goodwill | 19 | 944,597 | 955,342 |
| Other intangible assets | 20 | 212,101 | 216,240 |
| Investments in associates and joint ventures | 22 | 1,077,842 | 1,093,419 |
| Financial assets measured at amortised cost | 23 | 3,532,565 | 4,188,421 |
| Equity investments designated at fair value through other comprehensive income | 24 | 567,586 | 584,719 |
| Debt investments at fair value through other comprehensive income | 25 | 12,911,513 | 12,330,427 |
| Refundable deposits | 26 | 10,265,273 | 7,858,108 |
| Deferred tax assets | 27 | 1,844,761 | 1,749,542 |
| Finance lease receivables | 28 | 177,161 | 493,234 |
| Receivables arising from sale-and-leaseback arrangements | 29 | 761,243 | 743,093 |
| Other non-current assets | 30 | 134,340 | 148,577 |
| Total non-current assets | | 34,055,011 | 32,066,488 |
| Current assets | | | |
| Accounts receivable | 31 | 2,434,036 | 2,848,778 |
| Finance lease receivables | 28 | 867,761 | 1,181,807 |
| Receivable arising from sale-and-leaseback arrangements | 29 | 682,379 | 591,165 |
| Other receivables and prepayments | 32 | 2,506,497 | 1,730,997 |
| Margin accounts receivable | 33 | 54,695,678 | 46,815,972 |
| Equity investments designated at fair value through other comprehensive income | 24 | - | 4,593,864 |
| Debt investments at fair value through other comprehensive income | 25 | 4,120,020 | 5,307,960 |
| Financial assets held under resale agreements | 34 | 2,315,458 | 5,279,946 |
| Financial assets measured at amortised cost | 23 | 741,401 | 263,541 |
| Financial assets at fair value through profit or loss | 35 | 59,165,916 | 58,452,676 |
| Derivative financial assets | 36 | 180,936 | 65,946 |
| Clearing settlement funds | 37 | 1,568,432 | 1,051,846 |
| Cash held on behalf of brokerage clients | 38 | 57,678,623 | 52,378,308 |
| Cash and bank balances | 39 | 25,088,445 | 16,107,090 |
| Total current assets | | 212,045,582 | 196,669,896 |
| Total assets | | 246,100,593 | 228,736,384 |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | <u>Notes</u> | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|--------------|-------------------------|-----------------------------|
| | | (Unaudited) | (Audited) |
| Current liabilities | | | |
| Loans and borrowings | 41 | 11,497,303 | 5,939,413 |
| Short-term debt instruments | 42 | 9,289,390 | 10,324,937 |
| Placements from other financial institutions | 43 | 10,658,958 | 17,722,781 |
| Financial liabilities at fair value through profit or loss | 44 | 1,289,393 | 1,996,059 |
| Accounts payable to brokerage clients | 45 | 67,716,111 | 60,102,708 |
| Employee benefits payable | 46 | 1,457,235 | 1,707,895 |
| Other payables and accruals | 47 | 6,710,770 | 5,065,906 |
| Current tax liabilities | 27 | 581,246 | 1,472,633 |
| Financial assets sold under repurchase agreements | 48 | 23,650,888 | 21,655,857 |
| Derivative financial liabilities | 36 | 323,413 | 307,647 |
| Lease liabilities due within one year | 18 | 265,853 | 259,666 |
| Contract liabilities | | 572 | 765 |
| Long-term bonds due within one year | 49 | 17,523,650 | 18,243,518 |
| Total current liabilities | | <u>150,964,782</u> | <u>144,799,785</u> |
| Net current assets | | <u>61,080,800</u> | <u>51,870,111</u> |
| Total assets less current liabilities | | <u>95,135,811</u> | <u>83,936,599</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 41 | 2,807,549 | 1,068,103 |
| Long-term bonds | 49 | 29,736,799 | 23,775,649 |
| Financial liabilities at fair value through profit or loss | 44 | - | 616,136 |
| Deferred tax liabilities | 27 | 14,788 | 14,002 |
| Employee benefits payable | 46 | 2,295 | 2,295 |
| Provision | 50 | 4,551,170 | 4,551,975 |
| Lease liabilities | 18 | 525,549 | 563,968 |
| Contract liabilities | | - | 181 |
| Other non-current liabilities | 51 | 117,347 | 149,189 |
| Total non-current liabilities | | <u>37,755,497</u> | <u>30,741,498</u> |
| Net assets | | <u>57,380,314</u> | <u>53,195,101</u> |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Notes | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|-------|--------------------------------|----------------------------------|
| Equity | | | |
| Share capital | 52 | 4,610,788 | 4,610,788 |
| Other equity instruments | 53 | 5,000,000 | 2,000,000 |
| Reserves | 54 | 35,442,525 | 35,578,110 |
| Retained profits | 54 | 11,539,167 | 10,259,982 |
| Total equity attributable to shareholders of the Company | | 56,592,480 | 52,448,880 |
| Non-controlling interests | | 787,834 | 746,221 |
| Total equity | | 57,380,314 | 53,195,101 |

Approved and authorised for issue by the Board of Directors on 26 August 2021.



 Director



 Director

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Attributable to shareholders of the Company | | | | | | | | Non-controlling interests | Total equity | |
|--|---|--------------------------|-----------------|------------------|-----------------|--------------------|---------------------|------------------|---------------------------|--------------|------------|
| | Share capital | Other equity instruments | Capital reserve | Surplus reserves | General reserve | Fair value reserve | Translation reserve | Retained profits | | | Total |
| 1 January 2021 (Audited) | 4,610,788 | 2,000,000 | 24,198,686 | 3,441,295 | 8,090,331 | 195,675 | (347,877) | 10,259,982 | 52,448,880 | 746,221 | 53,195,101 |
| Profit for the period | - | - | - | - | - | - | - | 2,262,277 | 2,262,277 | 41,613 | 2,303,890 |
| Other comprehensive income | - | - | - | - | - | (160,514) | (15,958) | - | (176,472) | - | (176,472) |
| Total comprehensive income | - | - | - | - | - | (160,514) | (15,958) | 2,262,277 | 2,085,805 | 41,613 | 2,127,418 |
| Issuance of the perpetual bonds Other comprehensive income that has been reclassified to retained profits | - | 3,000,000 | - | - | - | - | - | - | 3,000,000 | - | 3,000,000 |
| Appropriation to general reserve | - | - | - | - | - | (2,825) | - | 2,825 | - | - | - |
| Dividends approved in respect of the previous year | - | - | - | - | 43,712 | - | - | (43,712) | - | - | - |
| 15 Distribution to other equity instrument holders | - | - | - | - | - | - | - | (728,505) | (728,505) | - | (728,505) |
| 15 | - | - | - | - | - | - | - | (213,700) | (213,700) | - | (213,700) |
| 30 June 2021 (Unaudited) | 4,610,788 | 5,000,000 | 24,198,686 | 3,441,295 | 8,134,043 | 32,336 | (363,835) | 11,539,167 | 56,592,480 | 787,834 | 57,380,314 |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Note | Attributable to shareholders of the Company | | | | | | | Non-controlling interests | Total equity | |
|---|------|---|-----------------|------------------|-----------------|--------------------|---------------------|------------------|---------------------------|--------------|------------|
| | | Share capital | Capital reserve | Surplus reserves | General reserve | Fair value reserve | Translation reserve | Retained profits | | | Total |
| 1 January 2020 (Audited) | | 4,610,788 | 23,278,784 | 2,971,443 | 6,868,588 | 138,540 | (208,593) | 9,785,175 | 47,444,725 | 1,574,083 | 49,018,808 |
| Profit for the period | | - | - | - | - | - | - | 2,151,890 | 2,151,890 | 70,524 | 2,222,414 |
| Other comprehensive income | | - | - | - | - | (54,600) | 17,141 | - | (37,459) | 19,054 | (18,405) |
| Total comprehensive income | | - | - | - | - | (54,600) | 17,141 | 2,151,890 | 2,114,431 | 89,578 | 2,204,009 |
| Other movements in capital reserve | | - | (35,452) | - | - | - | - | - | (35,452) | - | (35,452) |
| Other comprehensive income that has been reclassified to retained profits | | - | - | - | - | (403) | - | 403 | - | - | - |
| Appropriation to general reserve | | - | - | - | 50,432 | - | - | (50,432) | - | - | - |
| Dividends approved in respect of the previous year | 15 | - | - | - | - | - | - | (170,599) | (170,599) | (88,310) | (258,909) |
| 30 June 2020 (Unaudited) | | 4,610,788 | 23,243,332 | 2,971,443 | 6,919,020 | 83,537 | (191,452) | 11,716,437 | 49,353,105 | 1,575,351 | 50,928,456 |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities: | | |
| Profit before income tax | 2,981,033 | 2,986,106 |
| Adjustments for: | | |
| Interest expenses | 1,203,501 | 1,372,072 |
| Share of profit of associates and joint ventures | (48,974) | (44,341) |
| Depreciation and amortisation expenses | 291,788 | 353,511 |
| Impairment losses | 605 | - |
| Credit loss expense | 165,051 | 183,040 |
| Gains on disposal of property and equipment and other intangible assets | (106) | (820) |
| Foreign exchange losses | 531 | 1,195 |
| Interest income and net realised gains from disposal of debt investments at fair value through other comprehensive income and financial assets measured at amortised cost | (535,827) | (512,600) |
| Loss on disposal of associates and joint ventures | - | 6 |
| Dividend income from equity investments designated at fair value through other comprehensive income | (283,619) | (233) |
| Unrealised fair value changes of financial instruments at fair value through profit or loss | 281,933 | (319,637) |
| Unrealised fair value changes of derivative financial instruments | 62,133 | (117) |
| Operating cash flows before movements in working capital | <u>4,118,049</u> | <u>4,018,182</u> |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities: | | |
| (continued) | | |
| <i>Changes in operating assets</i> | | |
| Increase in refundable deposits | (2,407,165) | (969,473) |
| Increase in margin accounts receivable | (7,849,932) | (2,959,471) |
| Decrease in finance lease receivables | 632,359 | 795,483 |
| Increase in receivable arising from sale-and-leaseback arrangements | (111,604) | (403,029) |
| (Increase)/decrease in accounts receivable, other receivables and prepayments | (79,086) | 606,573 |
| Decrease in financial assets held under resale agreements | 2,961,470 | 2,780,150 |
| (Increase)/decrease in financial instruments at fair value through profit or loss | (1,277,150) | 76,161 |
| (Increase)/decrease in derivative financial instruments | (161,357) | 54,574 |
| (Increase)/decrease in restricted bank deposits | (271,602) | 606,363 |
| Decrease/(increase) in cash held on behalf of brokerage clients | 6,297,058 | (7,189,343) |
| Decrease/(increase) in other investments | 686,714 | (65,979) |
| <i>Changes in operating liabilities</i> | | |
| Increase in accounts payable to brokerage clients | 7,731,574 | 7,512,823 |
| Increase/(decrease) in other payables and accruals | 66,028 | (373,837) |
| (Decrease)/increase in employee benefits payable | (250,660) | 571,535 |
| Increase/(decrease) in financial assets sold under repurchase agreements | 1,995,031 | (5,394,319) |
| (Decrease)/increase in placements from other financial institutions | (7,063,823) | 1,419,351 |
| Cash from operations | 5,015,904 | 1,085,744 |
| Income taxes paid | (1,609,466) | (789,256) |
| Interest paid for operating activities | (725,522) | (626,042) |
| Net cash flows from/(used in) operating activities | 2,680,916 | (329,554) |

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

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------|--------------|
| | | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| Cash flows from investing activities: | | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments | | 11,549,345 | 7,209,534 |
| Dividends and interest received from financial assets at fair value through other comprehensive income and other investments | | 686,509 | 433,376 |
| Proceeds from disposal of property and equipment other intangible assets and other non-current assets | | 2,193 | 21,774 |
| Proceeds from disposal of subsidiaries, associates and joint ventures | | 36,730 | 22,900 |
| Dividends received from subsidiaries, associates and joint ventures | | 142,000 | - |
| Purchase of financial assets at fair value through other comprehensive income and other investment | | (10,936,037) | (3,362,937) |
| Proceeds from disposal /(purchases) of property and equipment, other intangible assets and other non-current assets | | 245,201 | (133,794) |
| Net cash flows from investing activities | | 1,725,941 | 4,190,853 |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of perpetual bond | | 3,000,000 | - |
| Proceeds from issuance of long-term bonds | | 8,300,000 | 5,106,311 |
| Proceeds from issuance of short-term debt instruments | | 19,433,170 | 25,005,120 |
| Proceeds from loans and borrowings | | 12,304,193 | 6,256,008 |
| Long-term bonds repaid | | (3,480,000) | (15,111,484) |
| Short-term debt instruments repaid | | (20,450,340) | (17,625,720) |
| Loans and borrowings repaid | | (5,006,858) | (7,995,652) |
| Repurchase of non-controlling interests by a subsidiary | | (1,040,824) | - |
| Lease payments paid | | (159,465) | (186,270) |
| Interest paid | | (865,668) | (1,483,222) |
| Dividends paid | | - | (123,143) |
| Net cash flows from/(used in) financing activities | | 12,034,208 | (6,158,052) |
| Net increase/(decrease) in cash and cash equivalents | | 16,441,065 | (2,296,753) |
| Cash and cash equivalents at the beginning of the period | | 9,596,524 | 8,241,628 |
| Effect of foreign exchange rate changes | | (10,682) | 34,068 |
| Cash and cash equivalents at the end of the period | 40 | 26,026,907 | 5,978,943 |

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

(All amounts expressed in RMB thousands unless otherwise specified)

1. GENERAL INFORMATION

Everbright Securities Company Limited (光大證券股份有限公司) (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 30 June 2021, 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 investment consulting, securities trading, financial advisory related to securities investment activities, securities underwriting and sponsorship, securities proprietary trading, intermediary introduction services for futures companies, distribution of securities investment funds, margin financing and securities lending services, distribution of financial products, stock option market making business, and securities investment fund custody; investment management, asset management, equity investment, fund management business, financial leasing business and other business activities approved by the CSRC.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), as well as all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, *Interest Rate Benchmark Reform – Phase 2*
 IFRS 7, IFRS 4 and IFRS 16

Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

3. USE OF JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2020.

4. FEE AND COMMISSION INCOME

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Income arising from | | |
| - Securities brokerage and investment advisory business | 2,468,098 | 2,078,547 |
| - Underwriting and sponsorship business | 1,045,288 | 1,188,793 |
| - Asset management business | 671,574 | 857,545 |
| - Futures brokerage business | 240,022 | 140,166 |
| - Financial advisory business | 35,683 | 54,631 |
| - Others | 23,815 | 13,539 |
| Total | 4,484,480 | 4,333,221 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

5. INTEREST INCOME

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Interest income arising from | | |
| - Margin financing and securities lending | 1,552,592 | 1,237,458 |
| - Deposits in financial institutions | 993,055 | 893,352 |
| - Debt investments at fair value through other comprehensive income | 324,727 | 224,923 |
| - Financial assets measured at amortised cost | 139,924 | 168,250 |
| - Securities-backed lending and stock repurchases | 70,955 | 164,542 |
| - Receivable arising from sale-and-leaseback arrangements | 32,834 | 16,170 |
| - Finance lease | 28,833 | 68,833 |
| - Financial assets held under resale agreements | 8,439 | 619 |
| - Others | 24,668 | 37,921 |
| Total | <u>3,176,027</u> | <u>2,812,068</u> |

6. NET INVESTMENT GAINS

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Net realised gains/(losses) from | | |
| - Financial instruments at fair value through profit or loss | 101,825 | 269,435 |
| - Derivative financial instruments | (4,427) | (72,226) |
| - Debt investments at fair value through other comprehensive income | 69,327 | 65,649 |
| - Financial assets measured at amortised cost | 1,849 | 1,212 |
| Dividend and interest income from | | |
| - Financial instruments at fair value through profit or loss | 706,496 | 826,460 |
| - Equity investments designated at fair value through other comprehensive income | 283,619 | 233 |
| Unrealised fair value changes of | | |
| - Financial instruments at fair value through profit or loss | (281,933) | 319,637 |
| - Derivative financial instruments | (62,133) | 117 |
| Total | <u>814,623</u> | <u>1,410,517</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

7. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|------------------------------------|--------------------------|----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Income from bulk commodity trading | 1,756,852 | 127,513 |
| Government grants | 257,865 | 216,599 |
| Income from agent business | 12,753 | 18,881 |
| Rental income | 10,114 | 11,977 |
| Exchange losses | (531) | (1,195) |
| Others | 40,479 | 20,703 |
| Total | <u>2,077,532</u> | <u>394,478</u> |

8. FEE AND COMMISSION EXPENSES

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Expenses arising from | | |
| - Securities brokerage and investment advisory business | 676,408 | 573,031 |
| - Underwriting and sponsorship business | 22,568 | 82,519 |
| - Futures brokerage business | 5,458 | 13,498 |
| - Asset management business | 369 | 349 |
| Total | <u>704,803</u> | <u>669,397</u> |

9. INTEREST EXPENSES

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Interest expenses for | | |
| - Long-term bonds | 1,082,766 | 1,054,785 |
| - Financial assets sold under repurchase agreements | 275,213 | 238,282 |
| - Placements from other financial institutions | 304,731 | 218,502 |
| - Loans and borrowings | 100,719 | 229,791 |
| - Other structured entities' holders | 15,573 | 100,101 |
| - Short-term debt instruments | 3,620 | 71,339 |
| - Accounts payable to brokerage clients | 65,233 | 56,986 |
| - Lease liabilities | 16,397 | 16,157 |
| - Others | 30,648 | 21,809 |
| Total | <u>1,894,900</u> | <u>2,007,752</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

10. STAFF COSTS

| | Six months ended 30 June | |
|----------------------------------|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Salaries, bonuses and allowances | 1,683,500 | 1,770,052 |
| Contributions to pension schemes | 127,925 | 71,014 |
| Other social welfare | 245,966 | 168,257 |
| Total | 2,057,391 | 2,009,323 |

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

11. DEPRECIATION AND AMORTISATION EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Amortisation of right-of-use assets | 151,173 | 159,808 |
| Amortisation of other intangible assets | 54,234 | 115,062 |
| Depreciation of property and equipment | 62,149 | 52,315 |
| Amortisation of leasehold improvements and long-term deferred expenses | 22,540 | 24,634 |
| Total | 290,096 | 351,819 |

12. OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Cost of bulk commodity trading | 1,756,576 | 133,638 |
| IT expenses | 143,708 | 129,146 |
| Fund and asset management plan distribution and custodian expenses | 121,234 | 118,599 |
| Promotion and entertainment expenses | 80,729 | 48,518 |
| Business travel expenses | 65,490 | 48,851 |
| Rental expenses and utilities | 47,949 | 52,726 |
| Stock exchange management fees | 41,593 | 34,751 |
| Postal and communication expenses | 38,334 | 34,285 |
| Labour outsourcing expenses | 33,875 | 20,827 |
| Securities/futures investor protection funds | 23,897 | 27,215 |
| Consulting and professional services | 22,819 | 27,454 |
| Auditors' remuneration | 3,189 | 3,037 |
| Others | 90,384 | 70,323 |
| Total | 2,469,777 | 749,370 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

13. CREDIT LOSS EXPENSE

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Provision for/ (reversal of) credit losses against | | |
| - Other receivables and prepayments | 101,978 | (359) |
| - Margin accounts receivable | 57,417 | (3,777) |
| - Financial assets held under resale agreements | 3,018 | 195,973 |
| - Receivable arising from sale-and-leaseback arrangements | 2,240 | 7,267 |
| - Finance lease receivables | (2,240) | (9,880) |
| - Debt investments at fair value through other comprehensive income | 1,740 | (8,598) |
| - Financial assets measured at amortised cost | 974 | 2,416 |
| - Accounts receivable | (76) | (2) |
| Total | <u>165,051</u> | <u>183,040</u> |

14. INCOME TAX EXPENSE

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| - Mainland China income tax | 697,385 | 653,023 |
| - Hong Kong profits tax | 11,510 | 20,210 |
| Subtotal | <u>708,895</u> | <u>673,233</u> |
| Adjustment in respect of prior years | | |
| - Mainland China income tax | 8,934 | 2,480 |
| - Hong Kong profits tax | (691) | 1,878 |
| Subtotal | <u>8,243</u> | <u>4,358</u> |
| Deferred tax | | |
| - Origination and reversal of temporary differences | <u>(39,995)</u> | <u>86,101</u> |
| Total | <u>677,143</u> | <u>763,692</u> |

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

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

15. DIVIDENDS

| | | Six months ended 30 June | |
|---|-----|--------------------------|----------------|
| | | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| Distribution to ordinary shares | (1) | 728,505 | 170,599 |
| Distribution to other equity instrument holders | (2) | 213,700 | - |
| Total | | <u>942,205</u> | <u>170,599</u> |

(1) Pursuant to the resolution of the meeting of shareholders held on 18 May 2021, the Company distributed cash dividends of RMB1.58 yuan for every 10 shares (tax included) amounting to RMB728,505 thousand in total on 9 July 2021 for the year ended 31 December 2020.

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

(2) The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. For the period ended 30 June 2021, the Company has recognised the dividend payable to other equity instrument holders of RMB213,700 thousand (for the period ended 30 June 2020: Nil).

16. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue. There has been no change in the number of ordinary shares during the period ended 30 June 2021.

| | | Six months ended 30 June | |
|---|-----|--------------------------|------------------|
| | | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| Earnings | | | |
| Profit attributable to shareholders of the Company | | 2,262,277 | 2,151,890 |
| Less: Profit attributable to other equity instruments holders of the Company | (1) | <u>60,513</u> | <u>-</u> |
| Profit attributable to ordinary shareholders of the Company | | <u>2,201,764</u> | <u>2,151,890</u> |
| Weighted average number of ordinary shares in issue (thousands) | | <u>4,610,788</u> | <u>4,610,788</u> |
| Basic and diluted earnings per share attributable to equity shareholders (in RMB per share) | | <u>0.48</u> | <u>0.47</u> |

(1) For the purpose of calculating basic earnings per ordinary share in respect of the period ended 30 June 2021, RMB60,513 thousand (for the period ended 30 June 2020: Nil) attributable to perpetual subordinated bonds were deducted from profits attributable to shareholders of the Company.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

17. PROPERTY AND EQUIPMENT

| Cost | Buildings | Electric equipment | Furniture and fixtures | Motor vehicles | Construction in progress | Total |
|----------------------------|-----------|--------------------|------------------------|----------------|--------------------------|-------------|
| 31 December 2019 (Audited) | 914,993 | 598,053 | 343,048 | 114,178 | 3,105 | 1,973,377 |
| Additions | - | 141,824 | 32,957 | - | 2,151 | 176,932 |
| Transfers during the year | - | - | 303 | - | (5,256) | (4,953) |
| Disposals and others | - | (63,513) | (22,667) | (4,129) | - | (90,309) |
| 31 December 2020 (Audited) | 914,993 | 676,364 | 353,641 | 110,049 | - | 2,055,047 |
| Additions | - | 19,112 | 7,875 | - | - | 26,987 |
| Disposals and others | - | (21,534) | (61,503) | (289) | - | (83,326) |
| 30 June 2021 (Unaudited) | 914,993 | 673,942 | 300,013 | 109,760 | - | 1,998,708 |
| Accumulated depreciation | | | | | | |
| 31 December 2019 (Audited) | (317,528) | (534,906) | (267,867) | (24,265) | - | (1,144,566) |
| Charge for the year | (23,746) | (62,117) | (24,507) | (4,607) | - | (114,977) |
| Disposals and others | - | 66,391 | 17,068 | 4,135 | - | 87,594 |
| 31 December 2020 (Audited) | (341,274) | (530,632) | (275,306) | (24,737) | - | (1,171,949) |
| Charge for the period | (11,873) | (39,779) | (9,954) | (2,234) | - | (63,840) |
| Disposals and others | - | 21,393 | 61,445 | 289 | - | 83,127 |
| 30 June 2021 (Unaudited) | (353,147) | (549,018) | (223,815) | (26,682) | - | (1,152,662) |
| Carrying amount | | | | | | |
| 30 June 2021 (Unaudited) | 561,846 | 124,924 | 76,198 | 83,078 | - | 846,046 |
| 31 December 2020 (Audited) | 573,719 | 145,732 | 78,335 | 85,312 | - | 883,098 |

As at 30 June 2021 and 31 December 2020, included in buildings were items with carrying amounts of RMB1,198 thousand and RMB1,198 thousand, respectively, for which the Group has yet to obtain the relevant land or building certificates.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

18. LEASES

(i) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

| | <u>Buildings</u> | <u>Others</u> | <u>Total</u> |
|----------------------------------|-------------------------|-----------------------|-------------------------|
| Cost | | | |
| As at 31 December 2019 (Audited) | 1,040,527 | 6,819 | 1,047,346 |
| Additions | 415,621 | 1,332 | 416,953 |
| Disposals and others | (114,609) | (1,655) | (116,264) |
| As at 31 December 2020 (Audited) | <u>1,341,539</u> | <u>6,496</u> | <u>1,348,035</u> |
| Additions and others | 111,114 | 1,678 | 112,792 |
| Disposals | (80,785) | (129) | (80,914) |
| As at 30 June 2021 (Unaudited) | <u><u>1,371,868</u></u> | <u><u>8,045</u></u> | <u><u>1,379,913</u></u> |
| Accumulated depreciation | | | |
| As at 31 December 2019 (Audited) | (290,366) | (1,204) | (291,570) |
| Charge for the year | (322,749) | (1,489) | (324,238) |
| Disposals and others | 88,958 | 1,083 | 90,041 |
| As at 31 December 2020 (Audited) | <u>(524,157)</u> | <u>(1,610)</u> | <u>(525,767)</u> |
| Charge for the period | (150,381) | (792) | (151,173) |
| Disposals and others | 76,881 | 129 | 77,010 |
| As at 30 June 2021 (Unaudited) | <u><u>(597,657)</u></u> | <u><u>(2,273)</u></u> | <u><u>(599,930)</u></u> |
| Net carrying amount | | | |
| As at 30 June 2021 (Unaudited) | <u><u>774,211</u></u> | <u><u>5,772</u></u> | <u><u>779,983</u></u> |
| As at 31 December 2020 (Audited) | <u><u>817,382</u></u> | <u><u>4,886</u></u> | <u><u>822,268</u></u> |

(ii) Lease liabilities

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

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|-----------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Carrying amount at the beginning of the period/year | 823,634 | 744,848 |
| New leases | 112,792 | 416,953 |
| Accretion of interest recognised during the period/year | 16,397 | 30,989 |
| Payments | (159,465) | (341,332) |
| Others | (1,956) | (27,824) |
| Carrying amount at the end of the period/year | <u><u>791,402</u></u> | <u><u>823,634</u></u> |
| Analysed into: | | |
| Current portion | <u><u>265,853</u></u> | <u><u>259,666</u></u> |
| Non-current portion | <u><u>525,549</u></u> | <u><u>563,968</u></u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

18. LEASES (continued)

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

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Amortisation of right-of-use assets | 151,173 | 159,808 |
| Interest on lease liabilities | 16,397 | 16,157 |
| Expense relating to short-term leases | 5,138 | 5,015 |
| Expense relating to leases of low-value assets | 203 | 825 |
| Total | <u>172,911</u> | <u>181,805</u> |

19. GOODWILL

| | 30 June 2021 | 31 December 2020 |
|--|----------------|------------------|
| | (Unaudited) | (Audited) |
| Cost | 1,504,201 | 1,504,201 |
| Effect of exchange rate changes for cost | 81,050 | 90,788 |
| Less: Provision for impairment losses | (647,131) | (647,131) |
| Effect of exchange rate changes for impairment provision | 6,477 | 7,484 |
| Carrying amount | <u>944,597</u> | <u>955,342</u> |

20. OTHER INTANGIBLE ASSETS

| | Customer relationship | Software and others | Total |
|----------------------------------|-----------------------|---------------------|--------------------|
| Cost | | | |
| As at 31 December 2019 (Audited) | 863,597 | 832,265 | 1,695,862 |
| Additions | - | 127,188 | 127,188 |
| Disposals and others | (103) | (4,932) | (5,035) |
| As at 31 December 2020 (Audited) | 863,494 | 954,521 | 1,818,015 |
| Additions | - | 52,735 | 52,735 |
| Disposals and others | (15) | (2,625) | (2,640) |
| As at 30 June 2021 (Unaudited) | <u>863,479</u> | <u>1,004,631</u> | <u>1,868,110</u> |
| Accumulated amortisation | | | |
| As at 31 December 2019 (Audited) | (720,184) | (661,620) | (1,381,804) |
| Charge for the year | (138,697) | (82,095) | (220,792) |
| Disposals and others | - | 821 | 821 |
| As at 31 December 2020 (Audited) | (858,881) | (742,894) | (1,601,775) |
| Charge for the period | (4,598) | (49,636) | (54,234) |
| As at 30 June 2021 (Unaudited) | <u>(863,479)</u> | <u>(792,530)</u> | <u>(1,656,009)</u> |
| Carrying amount | | | |
| As at 30 June 2021 (Unaudited) | <u>-</u> | <u>212,101</u> | <u>212,101</u> |
| As at 31 December 2020 (Audited) | <u>4,613</u> | <u>211,627</u> | <u>216,240</u> |

(All amounts expressed in RMB thousands unless otherwise specified)

21. INVESTMENTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

The Group has consolidated certain structured entities, mainly investments in mutual funds, asset management products. For those structured entities where the Group is involved as manager or as an 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 30 June 2021, the net assets of the consolidated structured entities were RMB6,561,567 thousand (31 December 2020: RMB7,465,428 thousand), and the carrying amounts of interests held by the Group in the consolidated structured entities were RMB5,852,410 thousand (31 December 2020: RMB6,210,581 thousand).

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

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

The types of structured entities that the Group does not consolidate but in which it holds an interest include mutual funds, asset management products, wealth management products, segregated accounts and other 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 amounts of the related accounts in the consolidated statement of financial position are 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 period, and their respective carrying amounts are listed below:

| | 30 June 2021 (Unaudited) | | |
|----------------------------|---|---|------------|
| | Equity instruments at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
| Mutual funds | - | 18,337,816 | 18,337,816 |
| Asset management products | - | 327,052 | 327,052 |
| Wealth management products | - | 10,193,435 | 10,193,435 |
| Others | - | 1,470,520 | 1,470,520 |
| Total | - | 30,328,823 | 30,328,823 |

(All amounts expressed in RMB thousands unless otherwise specified)

21. INTERESTS IN STRUCTURED ENTITIES (continued)

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

| | 31 December 2020 (Audited) | | Total |
|----------------------------|---|---|------------|
| | Equity instruments at fair value through other comprehensive income | Financial assets at fair value through profit or loss | |
| Mutual funds | - | 16,317,753 | 16,317,753 |
| Asset management products | - | 536,541 | 536,541 |
| Wealth management products | - | 8,135,564 | 8,135,564 |
| Others | 4,593,864 | 81,466 | 4,675,330 |
| Total | 4,593,864 | 25,071,324 | 29,665,188 |

- (c) Structured entities sponsored by the Group and not consolidated by the Group

The types of structured entities sponsored by the Group and not consolidated by the Group but in which the Group holds an interest include mutual funds and asset management products and other products.

The carrying amounts of the related accounts in the consolidated statement of financial position are 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 period, and their respective carrying amounts are listed below:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|-----------------------------|-------------------------------|
| Financial assets at fair value through profit or loss | | |
| Mutual funds | 609,542 | 1,200,334 |
| Asset management products | 1,917,362 | 1,400,383 |
| Others | 51,778 | - |
| Total | 2,578,682 | 2,600,717 |

As at 30 June 2021 and 31 December 2020, the net assets of these unconsolidated structured entities in which the Group acted as an asset manager but did not have any interests amounted to RMB272,129,385 thousand and RMB290,675,627 thousand, respectively.

During the six months ended 30 June 2021 and 2020, the Group recognised the income amounting to RMB463,892 thousand and RMB721,845 thousand, respectively, from these unconsolidated structured entities in which the Group acted as an asset manager but did not have any interests. As at 30 June 2021 and 31 December 2020, the corresponding remuneration receivables totalled RMB94,761 thousand and RMB124,580 thousand, respectively.

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------------|-----------------------------|-------------------------------|
| Share of net assets | | |
| - Associates | 680,488 | 664,078 |
| - Joint ventures | 397,354 | 429,341 |
| Total | 1,077,842 | 1,093,419 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

| Name of associates and joint ventures | Place of incorporation (RMB Yuan) | Registered capital (RMB Yuan) | Equity interest held | | Principal activities |
|--|-----------------------------------|-------------------------------|----------------------|------------------|---------------------------|
| | | | 30 June 2021 | 31 December 2020 | |
| <u>Associates</u> | | | | | |
| Dacheng Fund Management Co., Ltd.* 大成基金管理有限公司 | Shenzhen | RMB 200,000,000 | 25.00% | 25.00% | Fund management |
| Everbright Yunfu Internet Co., Ltd.* 光大雲付互聯網股份有限公司 | Shanghai | RMB 200,000,000 | 40.00% | 40.00% | Financial data processing |
| Everbright Easecreate Internet Co., Ltd.* 光大易創網路科技股份有限公司 | Shanghai | RMB 100,000,000 | 40.00% | 40.00% | Financial data processing |
| CRECG & EB Private Equity Fund Management (Shanghai) Co., Limited* 中鐵光大股權投資基金管理(上海)有限公司 | Shanghai | RMB 50,000,000 | 30.00% | 30.00% | Investment management |
| Tianjin Zhongchen Zhongli Investment Management Co., Ltd.* 天津中城光麗投資管理有限公司 | Tianjin | RMB 20,000,000 | 30.00% | 30.00% | Investment management |
| Gui'an Everbright Securities Investment Management Co., Ltd.* 貴安新區光證投資管理有限公司 | Guiyang | RMB 10,000,000 | 30.00% | 30.00% | Investment management |
| Zhongnengjian Fund Management Co., Ltd.* 中能建基金管理有限公司 | Beijing | RMB 50,000,000 | 30.00% | 30.00% | Investment management |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

| Name of associates and joint ventures | Place of incorporation | Registered capital (RMB yuan) | Equity interest held | | Principal activities |
|---|------------------------|-------------------------------|----------------------|------------------|--------------------------|
| | | | 30 June 2021 | 31 December 2020 | |
| <u>Joint ventures</u> | | | | | |
| Hangzhou Everbright Tunlan Investment LLP ^{*(3)} 杭州光大歐瀾投資合夥企業(有限合夥) | Hangzhou | RMB 106,000,000 | 47.17% | 47.17% | Investment management |
| Everbright Ivy (Shanghai) Investment Center (Limited Partnership) ^{*(3)} 光大常春藤(上海)投資中心(有限合夥) | Shanghai | RMB 185,000,000 | 27.03% | 27.03% | Fund management |
| Shanghai Everbright Sports & Culture Equity Fund (Limited Partnership) [*] 上海光大體育文化投資合夥企業(有限合夥) | Shanghai | RMB 163,944,800 | 24.76% | 24.76% | Fund management |
| Sun Hung Kai Forex Limited ⁽¹⁾ 新鴻基外匯有限公司 | Hong Kong | HKD 75,166,707 | 51.00% | 51.00% | Foreign exchange dealing |
| Jiaying Everbright Meiyin No. 1 Investment LLP ^{*(3)} 嘉興光大美銀壹號投資合夥企業(有限合夥) | Jiaxing | RMB 100,000,000 | 25.00% | 25.00% | Investment management |
| Jiaying Everbright BoPu Investment LLP (Limited Partnership) ^{*(3)} 嘉興光大繡璞投資合夥企業(有限合夥) | Jiaxing | RMB 100,000,000 | 24.90% | 24.90% | Investment management |
| EBS Fund Management Co., Ltd. ^{*(1)} 上海光大光證股權投資基金管理有限公司 | Shanghai | RMB 20,000,000 | 75.50% | 75.50% | Investment management |
| Everbright Ivy Investment Management (Shanghai) Co., Ltd. ^{*(1)} 光大常春藤投資管理(上海)有限公司 | Shanghai | RMB 10,000,000 | 51.00% | 51.00% | Investment management |
| Everbright LeadBank Assets Management (Shanghai) Co., Ltd. ^{*(1)} 光大利得資產管理(上海)有限公司 | Shanghai | RMB 10,000,000 | 95.00% | 95.00% | Investment management |
| Jiaying Everbright Meiyin Investment Management Co., Ltd. ^{*(1)} 嘉興光大美銀投資管理有限公司 | Jiaxing | RMB 2,000,000 | 51.00% | 51.00% | Investment management |
| Beijing BCID-EBS Cultural & Innovation No.2 Investment Fund (Limited Partnership) ^{*(1)(3)} 北京文資光大文創貳號投資基金管理中心(有限合夥) | Beijing | RMB 97,550,000 | 99.90% | 99.90% | Fund management |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

| Name of associates and joint ventures | Place of incorporation | Registered capital (RMB yuan) | Equity interest held | | Principal activities |
|---|------------------------|-------------------------------|----------------------|------------------|-----------------------|
| | | | 30 June 2021 | 31 December 2020 | |
| <u>Joint ventures (continued)</u> | | | | | |
| Shanghai JinXin Investment Consultancy LLP (Limited Partnership)("Jinxin Fund") ^{*(2)(3)(4)} | Shanghai | RMB 5,203,000,000 | 1.15% | 1.15% | Fund management |
| 上海浸鑫投資諮詢合夥企業(有限合夥) | | RMB 100,000,000 | 11.50% | 13.26% | Investment management |
| Xinglu Dingtai Big Data Equity Investment Fund L.P. ^{*(2)} | Jiaxing | RMB 65,600,000 | 15.24% | 15.24% | Fund management |
| 星路鼎泰(桐鄉)大數據產業股權投資基金合夥企業(有限合夥) | Lishui | RMB 20,000,000 | 9.01% | 9.01% | Fund management |
| Jingning Everbright Zhetong No.1 Investment Fund L.P. ^{*(2)} | Lishui | | | | |
| 景寧光大浙通壹號投資管理合夥企業(有限合夥) | | RMB 5,000,000 | 51.00% | 51.00% | Investment management |
| Jingning-Everbright ECO Investment Fund L.P. ^{*(2)} | Lishui | | | | |
| 景寧光大生能壹號投資管理中心(有限合夥) | | | | | |
| Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd. ^{*(1)} | Lishui | | | | |
| 景寧畚族自治縣光大生能經濟產業基金管理有限公司 | | | | | |
| Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership) ^{*(2)} | Shanghai | RMB 52,350,000 | 0.20% | 0.20% | Investment management |
| 上海光大富專環蘭投資中心(有限合夥) | | | | | |
| Gansu Duzhe Everbright Private Equity Fund Management Co., Ltd (formerly known as "Gansu Duzhe Everbright Fund Management Co., Ltd.") ^{*(1)} | Lanzhou | RMB 5,000,000 | 51.00% | 51.00% | Fund management |
| 甘肅讀者光大私募基金管理有限公司(原名:甘肅讀者光大基金管理有限公司) | | | | | |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

| Name of associates and joint ventures | Place of incorporation (RMB yuan) | Registered capital (RMB yuan) | Equity interest held | | Principal activities |
|--|-----------------------------------|-------------------------------|----------------------|------------------|-----------------------|
| | | | 30 June 2021 | 31 December 2020 | |
| <u>Joint ventures (continued)</u> | | | | | |
| Shanghai Jingjun Enterprise Management L.P. (Limited Partnership) (formerly known as "Hangzhou Jingxing Investment L.P. **") | Shanghai | RMB 10,000,000 | 40.00% | 40.00% | Investment management |
| 上海璟集企業管理合夥企業(有限合伙) (原名: 杭州璟星投資合夥企業(有限合伙)) | Beijing | RMB 680,800,000 | 0.07% | 0.05% | Investment management |
| Beijing Everbright 360 Investment Management Center ⁽²⁾ 北京光大三六零投資管理中心(有限合伙) | Hohhot | RMB 100,000,000 | 1.00% | 1.00% | Investment management |
| Hohhot Haojian Construction Co., Ltd. ⁽²⁾ 呼和浩特市昕天環建設有限公司 | Cayman Islands | USD 50,000 | 19.97% | 19.97% | USD bond investment |
| Sunshine Anti Epidemic Investment Fund SP ⁽²⁾ | | | | | |

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

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

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

(3) As at 30 June 2021, the Group's shareholding of these investees has been restricted by the judicial department. Please refer to note 50(b) for details.

(4) The investment in Jinxin Fund expired on 25 February 2019. Please refer to note 50(b) for details.

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

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Dacheng Fund Management Co., Ltd.

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|---------------------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Gross amounts of the associate: | | |
| Assets | 4,260,589 | 4,146,748 |
| Liabilities | (1,607,409) | (1,559,210) |
| Net assets | <u>2,653,180</u> | <u>2,587,538</u> |
| | <u>Six months ended 30 June</u> | |
| | <u>2021</u> | <u>2020</u> |
| | (Unaudited) | (Unaudited) |
| Revenue | <u>773,122</u> | <u>622,585</u> |
| Profit for the period | 176,699 | 150,805 |
| Other comprehensive income | (58) | (1,475) |
| Total comprehensive income | <u>176,641</u> | <u>149,330</u> |
| Dividend declared this period from the associate | <u>27,750</u> | <u>23,250</u> |
| Dividend received this period from the associate | <u>142,000</u> | <u>-</u> |
| | <u>30 June 2021</u> | <u>31 December 2020</u> |
| | (Unaudited) | (Audited) |
| Reconciled to the Group's interest in the associate: | | |
| Net assets | 2,653,180 | 2,587,538 |
| The Group's effective interest | 25% | 25% |
| The Group's share of net assets of the associate | <u>663,295</u> | <u>646,885</u> |
| Carrying amount in the consolidated financial statements | <u>663,295</u> | <u>646,885</u> |

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

| | <u>Six months ended 30 June</u> | |
|---|---------------------------------|-------------------------|
| | <u>2021</u> | <u>2020</u> |
| | (Unaudited) | (Unaudited) |
| Aggregate amounts of the Group's share of those associates and joint ventures' net profits | <u>4,800</u> | <u>6,639</u> |
| Total comprehensive income | <u>4,800</u> | <u>6,639</u> |
| | <u>30 June 2021</u> | <u>31 December 2020</u> |
| | (Unaudited) | (Audited) |
| Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements | <u>414,547</u> | <u>446,535</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

23. FINANCIAL ASSETS MEASURED AT AMORTISED COST

| Non-current | 30 June 2021 | 31 December 2020 |
|--------------------------|--------------|------------------|
| | (Unaudited) | (Audited) |
| Debt securities | 3,626,028 | 4,280,636 |
| Others | 187,531 | 188,588 |
| Less: Allowance for ECLs | (280,994) | (280,803) |
| Total | 3,532,565 | 4,188,421 |
| Analysed as: | | |
| Listed inside Hong Kong | 147,182 | 148,644 |
| Listed outside Hong Kong | 150,102 | 181,157 |
| Unlisted | 3,235,281 | 3,858,620 |
| Total | 3,532,565 | 4,188,421 |
| Current | 30 June 2021 | 31 December 2020 |
| | (Unaudited) | (Audited) |
| Debt securities | 791,968 | 313,656 |
| Less: Allowance for ECLs | (50,567) | (50,115) |
| Total | 741,401 | 263,541 |
| Analysed as: | | |
| Listed outside Hong Kong | - | 4,881 |
| Unlisted | 741,401 | 258,660 |
| Total | 741,401 | 263,541 |

As at 30 June 2021, the financial assets measured at amortised cost which were pledged as collateral amounted to RMB3,031,946 thousand. (as at 31 December 2020: RMB2,697,857 thousand).

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

| | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 330,918 | 353,137 |
| Charge for the period/year | 4,213 | 6,625 |
| Reversal for the period/year | (3,239) | (5,089) |
| Amounts written off | (218) | (24,888) |
| Others | (113) | 1,133 |
| At the end of the period/year | 331,561 | 330,918 |

(b) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------|---------|---------|---------|---------|
| 30 June 2021 (Unaudited) | 3,338 | 338 | 327,885 | 331,561 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | 3,279 | 14,247 | 313,392 | 330,918 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

24. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| Non-current | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|---|------------------------------------|--------------------------------------|
| Equity securities | <u>567,586</u> | <u>584,719</u> |
| Total | <u>567,586</u> | <u>584,719</u> |
| Analysed as: | | |
| Listed outside Hong Kong | 69,684 | 66,829 |
| Unlisted | <u>497,902</u> | <u>517,890</u> |
| Total | <u>567,586</u> | <u>584,719</u> |
| Current | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
| Contribution to designated accounts of China Securities Finance Corporation Limited | <u>-</u> | <u>4,593,864</u> |
| Total | <u>-</u> | <u>4,593,864</u> |
| Analysed as: | | |
| Unlisted | <u>-</u> | <u>4,593,864</u> |
| Total | <u>-</u> | <u>4,593,864</u> |

The current equity investment designated at fair value through other comprehensive income was fund contributed by the Company together with various PRC securities firms to designated accounts managed by China Securities Finance Corporation Limited (“CSFC”) and have been classified as equity investments designated at fair value through other comprehensive income since 1 January 2018. The investment was liquidated by CSFC on 9 February 2021. The accumulated net realised gains and the dividend income of the investment were nil and RMB271,065 thousand, respectively.

For the six months ended 30 June 2021, the Group disposed of some of other equity instruments at fair value through other comprehensive income as a result of an adjustment to its investment strategy. The accumulated net realised gains and the dividend income of the equity instruments disposed of were RMB3,767 thousand and nil, respectively.

As at 30 June 2021, equity instruments at fair value through other comprehensive income of the Group included approximately RMB5,143 thousand of pledged, restricted or transferred shares (31 December 2020: RMB41,771 thousand).

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | | |
|--------------------------|------------------------------------|--------------------------------------|
| Non-current | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
| Debt securities | <u>12,911,513</u> | <u>12,330,427</u> |
| Total | <u>12,911,513</u> | <u>12,330,427</u> |
| Analysed as: | | |
| Listed outside Hong Kong | 189,761 | 183,364 |
| Unlisted | <u>12,721,752</u> | <u>12,147,063</u> |
| Total | <u>12,911,513</u> | <u>12,330,427</u> |
| Current | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
| Debt securities | <u>4,120,020</u> | <u>5,307,960</u> |
| Total | <u>4,120,020</u> | <u>5,307,960</u> |
| Analysed as: | | |
| Listed outside Hong Kong | 2,120 | 177,944 |
| Unlisted | <u>4,117,900</u> | <u>5,130,016</u> |
| Total | <u>4,120,020</u> | <u>5,307,960</u> |

As at 30 June 2021, the debt investments at fair value through other comprehensive income which were pledged as collateral amounted to RMB13,040,052 thousand (31 December 2020: RMB10,252,221 thousand).

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

| | | |
|-------------------------------------|------------------------------------|--------------------------------------|
| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
| At the beginning of the period/year | 137,851 | 208,440 |
| Charge for the period/year | 2,711 | 9,102 |
| Reversal for the period/year | (971) | (3,898) |
| Amounts written off | <u>(1,158)</u> | <u>(75,793)</u> |
| At the end of the period/year | <u>138,433</u> | <u>137,851</u> |

(b) Analysed by stage of ECLs:

| | | | | |
|----------------------------|--------------|--------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 30 June 2021 (Unaudited) | <u>7,375</u> | <u>1,414</u> | <u>129,644</u> | <u>138,433</u> |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | <u>6,785</u> | <u>1,422</u> | <u>129,644</u> | <u>137,851</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

26. REFUNDABLE DEPOSITS

| | 30 June 2021 | 31 December 2020 |
|--|--------------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Deposits with stock exchanges and clearing houses | | |
| - China Securities Depository and Clearing Corporation Limited | 701,383 | 664,275 |
| - Shanghai Clearing House | 45,676 | 45,527 |
| - The Stock Exchange of Hong Kong Limited | 1,874 | 9,592 |
| - Hong Kong Securities Clearing Company Limited | 6,796 | 9,222 |
| Subtotal | <u>755,729</u> | <u>728,616</u> |
| Deposits with futures and commodity exchanges | | |
| - China Financial Futures Exchange | 3,524,541 | 2,999,725 |
| - Dalian Commodity Exchange | 1,884,089 | 1,253,632 |
| - Shanghai Futures Exchange | 1,426,945 | 1,053,000 |
| - Zhengzhou Commodity Exchange | 1,381,422 | 929,067 |
| - Shanghai International Energy Exchange | 216,245 | 120,261 |
| - Hong Kong Futures Exchange | 7,489 | 7,575 |
| - Shanghai Gold Exchange | 2,820 | 2,820 |
| Subtotal | <u>8,443,551</u> | <u>6,366,080</u> |
| Deposits with other institutions | | |
| - CSFC | 1,062,663 | 761,014 |
| - Other institutions | 3,330 | 2,398 |
| Subtotal | <u>1,065,993</u> | <u>763,412</u> |
| Total | <u><u>10,265,273</u></u> | <u><u>7,858,108</u></u> |

27. INCOME TAX

(a) Current taxation

| | 30 June 2021 | 31 December 2020 |
|---|-----------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Current tax liabilities | <u>581,246</u> | <u>1,472,633</u> |
| | 30 June 2021 | 31 December 2020 |
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 1,472,633 | 653,972 |
| Provision for the period/year | 717,137 | 1,798,125 |
| Increase through the sale of equity investments designated at fair value through other comprehensive income | 942 | 974 |
| Tax paid | <u>(1,609,466)</u> | <u>(980,438)</u> |
| At the end of the period/year | <u><u>581,246</u></u> | <u><u>1,472,633</u></u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

27. 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 period are as follows:

| Deferred tax arising from: | Allowance for ECLs/ impairment losses | Employee benefits payable | Changes in fair value of financial instruments | Intangible assets recognised on acquisition | Others | Total |
|-------------------------------------|--|---------------------------------|---|---|---------|-----------|
| As at 31 December 2019 (Audited) | 1,498,834 | 150,633 | (157,655) | (20,726) | 18,609 | 1,489,695 |
| Recognised in profit or loss | 213,967 | 237,687 | (198,000) | 20,726 | (8,674) | 265,706 |
| Recognised in reserves | 17,648 | - | (38,483) | - | - | (20,835) |
| Transferred out | - | - | 974 | - | - | 974 |
| As at 31 December 2020 (Audited) | 1,730,449 | 388,320 | (393,164) | - | 9,935 | 1,735,540 |
| Recognised in profit or loss | 11,712 | (48,771) | 65,896 | - | 11,158 | 39,995 |
| Recognised in reserves | (121) | - | 53,617 | - | - | 53,496 |
| Transferred out | - | - | 942 | - | - | 942 |
| As at 30 June 2021 (Unaudited) | 1,742,040 | 339,549 | (272,709) | - | 21,093 | 1,829,973 |

(c) Reconciliation to the statement of financial position

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|-----------------------------|-------------------------------|
| Net deferred tax assets recognised in the consolidated statement of financial position | 1,844,761 | 1,749,542 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | (14,788) | (14,002) |
| Total | 1,829,973 | 1,735,540 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

27. INCOME TAX (continued)

(d) Recognised in other comprehensive income

| | Six months ended 30 June 2021 (Unaudited) | | |
|---|---|---------------|------------------|
| | Before tax | Tax benefit | Net of tax |
| Debt investments at fair value through other comprehensive income | | | |
| - Net changes in fair value | 66,901 | (16,727) | 50,174 |
| - Provision for ECL allowance | 1,740 | (435) | 1,305 |
| - Reclassified to profit or loss | (69,327) | 17,330 | (51,997) |
| Equity investments designated at fair value through other comprehensive income | | | |
| - Net changes in fair value | (213,310) | 53,328 | (159,982) |
| Share of other comprehensive income of associates | (14) | - | (14) |
| Exchange differences on translation of financial statements in foreign currencies | (15,958) | - | (15,958) |
| Total | (229,968) | 53,496 | (176,472) |
| | | | |
| | Six months ended 30 June 2020 (Unaudited) | | |
| | Before tax | Tax benefit | Net of tax |
| Debt investments at fair value through other comprehensive income | | | |
| - Net changes in fair value | 64,956 | (16,252) | 48,704 |
| - Provision for ECL allowance | (8,598) | 2,149 | (6,449) |
| - Reclassified to profit or loss | (65,649) | 16,412 | (49,237) |
| Equity investments designated at fair value through other comprehensive income | | | |
| - Net changes in fair value | (62,999) | 15,750 | (47,249) |
| Share of other comprehensive income of associates | (369) | - | (369) |
| Exchange differences on translation of financial statements in foreign currencies | 36,195 | - | 36,195 |
| Total | (36,464) | 18,059 | (18,405) |

(e) Deferred tax assets not recognised

As at 30 June 2021 and 31 December 2020, the Group has not recognised deferred tax assets in respect of cumulative tax losses, provision for contingent liabilities, allowance for ECLs, changes in fair value of financial instruments, employee benefits payable and impairment losses against goodwill with timing differences amounting to RMB3,483,050 thousand and RMB3,542,559 thousand, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The expiration period of tax losses shall be in accordance with the local current tax legislation.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

28. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------------------------------|-----------------------------|-------------------------------|
| Minimum lease payments to be received | 1,191,055 | 1,865,627 |
| Less: Unrealised finance income | <u>(69,275)</u> | <u>(111,488)</u> |
| Balance of finance lease receivables | 1,121,780 | 1,754,139 |
| Less: Allowance for ECLs | <u>(76,858)</u> | <u>(79,098)</u> |
| Finance lease receivables, net | <u>1,044,922</u> | <u>1,675,041</u> |
| Analysis for presentation purposes: | | |
| Current assets | <u>867,761</u> | <u>1,181,807</u> |
| Non-current assets | <u>177,161</u> | <u>493,234</u> |

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

| | 30 June 2021 (Unaudited) | | 31 December 2020 (Audited) | |
|--------------------------------------|-----------------------------|--------------------------|-------------------------------|--------------------------|
| | Gross lease receivables | Net lease receivables | Gross lease receivables | Net lease receivables |
| Within 1 year | 980,609 | 921,078 | 1,314,243 | 1,226,601 |
| 1 to 2 years | 174,713 | 168,013 | 480,170 | 461,559 |
| 2 to 3 years | 27,827 | 26,138 | 60,878 | 57,560 |
| Over 3 years | <u>7,906</u> | <u>6,551</u> | <u>10,336</u> | <u>8,419</u> |
| Total | <u>1,191,055</u> | <u>1,121,780</u> | <u>1,865,627</u> | <u>1,754,139</u> |
| Unrealised finance income | <u>(69,275)</u> | - | <u>(111,488)</u> | - |
| Balance of finance lease receivables | 1,121,780 | 1,121,780 | 1,754,139 | 1,754,139 |
| Allowance for ECLs | <u>(76,858)</u> | <u>(76,858)</u> | <u>(79,098)</u> | <u>(79,098)</u> |
| Finance lease receivables, net | <u>1,044,922</u> | <u>1,044,922</u> | <u>1,675,041</u> | <u>1,675,041</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

28. FINANCE LEASE RECEIVABLES (continued)

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

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|-------------------------------------|------------------------------------|--------------------------------------|
| At the beginning of the period/year | 79,098 | 86,601 |
| Charge for the period/year | 9,176 | 17,597 |
| Reversal of impairment | <u>(11,416)</u> | <u>(25,100)</u> |
| At the end of the period/year | <u>76,858</u> | <u>79,098</u> |

(c) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------|--------------|---------------|---------------|---------------|
| 30 June 2021 (Unaudited) | <u>4,927</u> | <u>22,171</u> | <u>49,760</u> | <u>76,858</u> |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | <u>8,535</u> | <u>29,845</u> | <u>40,718</u> | <u>79,098</u> |

29. RECEIVABLE ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS

(a) Analysed by nature:

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|---|------------------------------------|--------------------------------------|
| Minimum lease payments to be received | 1,586,246 | 1,471,548 |
| Less: Unrealised finance income | <u>(111,955)</u> | <u>(108,861)</u> |
| Balance of receivables arising from sale-and-leaseback arrangements | 1,474,291 | 1,362,687 |
| Less: Allowance for ECLs | <u>(30,669)</u> | <u>(28,429)</u> |
| Receivables arising from sale-and-leaseback arrangements, net | <u>1,443,622</u> | <u>1,334,258</u> |
| Analysis for presentation purposes: | | |
| Current assets | <u>682,379</u> | <u>591,165</u> |
| Non-current assets | <u>761,243</u> | <u>743,093</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

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

(a) Analysed by nature: (continued)

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

| | 30 June 2021 (Unaudited) | | 31 December 2020 (Audited) | |
|--|--------------------------|-----------------------|----------------------------|-----------------------|
| | Gross lease receivables | Net lease receivables | Gross lease receivables | Net lease receivables |
| Within 1 year | 777,559 | 705,370 | 680,441 | 613,097 |
| 1 to 2 years | 556,103 | 523,706 | 479,036 | 447,053 |
| 2 to 3 years | 252,584 | 245,215 | 307,331 | 297,886 |
| Over 3 years | - | - | 4,740 | 4,651 |
| Total | <u>1,586,246</u> | <u>1,474,291</u> | <u>1,471,548</u> | <u>1,362,687</u> |
| Unrealised finance income | <u>(111,955)</u> | - | <u>(108,861)</u> | - |
| Balance of receivable arising from sale-and-leaseback arrangements | 1,474,291 | 1,474,291 | 1,362,687 | 1,362,687 |
| Allowance for ECLs | <u>(30,669)</u> | <u>(30,669)</u> | <u>(28,429)</u> | <u>(28,429)</u> |
| Receivable arising from sale-and-leaseback arrangements, net | <u>1,443,622</u> | <u>1,443,622</u> | <u>1,334,258</u> | <u>1,334,258</u> |

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|-------------------------------------|-----------------------------|-------------------------------|
| At the beginning of the period/year | 28,429 | 6,596 |
| Charge for the period/year | 3,963 | 22,206 |
| Reversal of impairment | <u>(1,723)</u> | <u>(373)</u> |
| At the end of the period/year | <u>30,669</u> | <u>28,429</u> |

(c) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------|--------------|------------|---------------|---------------|
| 30 June 2021 (Unaudited) | <u>5,810</u> | <u>622</u> | <u>24,237</u> | <u>30,669</u> |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | <u>5,797</u> | <u>739</u> | <u>21,893</u> | <u>28,429</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

30. OTHER NON-CURRENT ASSETS

Analysed by nature:

| | 30 June 2021 | 31 December 2020 |
|---------------------------------|----------------|------------------|
| | (Unaudited) | (Audited) |
| Other receivables | 69,580 | 69,675 |
| Long-term deferred expenses (a) | 64,760 | 77,192 |
| Long-term asset management fee | - | 3,123 |
| Less: Allowance for ECLs (b) | - | (1,413) |
| Total | <u>134,340</u> | <u>148,577</u> |

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

| | 30 June 2021 | 31 December 2020 |
|---|---------------|------------------|
| | (Unaudited) | (Audited) |
| Balance at the beginning of the period/year | 77,192 | 100,418 |
| Additions | 10,108 | 23,029 |
| Amortisation | (22,540) | (51,208) |
| Others | - | 4,953 |
| Balance at the end of the period/year | <u>64,760</u> | <u>77,192</u> |

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

| | 30 June 2021 | 31 December 2020 |
|-------------------------------------|--------------|------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 1,413 | - |
| Charge for the year | - | 1,413 |
| Others | (1,413) | - |
| At the end of the year | <u>-</u> | <u>1,413</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

31. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--------------------------|-----------------------------|-------------------------------|
| Accounts receivable of | | |
| - Brokers and dealers | 1,475,300 | 1,397,659 |
| - Term loan | 4,743 | 60,824 |
| - Settlement | 586,499 | 1,058,325 |
| - Fees and commissions | 410,021 | 372,463 |
| - Others | 32,084 | 32,867 |
| Less: Allowance for ECLs | <u>(74,611)</u> | <u>(73,360)</u> |
| Total | <u>2,434,036</u> | <u>2,848,778</u> |

(b) Analysed by ageing:

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------|-----------------------------|-------------------------------|
| Within 1 year | 2,326,793 | 2,754,384 |
| 1 to 2 years | 25,611 | 89,071 |
| 2 to 3 years | 78,942 | 5,125 |
| Over 3 years | <u>2,690</u> | <u>198</u> |
| Total | <u>2,434,036</u> | <u>2,848,778</u> |

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|-------------------------------------|-----------------------------|-------------------------------|
| At the beginning of the period/year | 73,360 | 72,596 |
| Charge for the period/year | - | 1,350 |
| Reversal of impairment | (76) | (2) |
| Others | <u>1,327</u> | <u>(584)</u> |
| At the end of the period/year | <u>74,611</u> | <u>73,360</u> |

(d) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
|----------------------------|--------------|-----------|----------|---------------------|---------------|
| 30 June 2021 (Unaudited) | <u>3,336</u> | <u>13</u> | <u>-</u> | <u>71,262</u> | <u>74,611</u> |
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| 31 December 2020 (Audited) | <u>5,585</u> | <u>4</u> | <u>-</u> | <u>67,771</u> | <u>73,360</u> |

(e) 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.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

32. OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|------------------------------------|-----------------------------|-------------------------------|
| Other receivables ⁽¹⁾ | 2,342,469 | 1,558,762 |
| Dividend receivables | 213,883 | 295,733 |
| Bulk commodity trading inventories | 296,746 | 142,609 |
| Interest receivable | 81,968 | 87,826 |
| Deferred expenses | 45,161 | 28,740 |
| Factoring receivables | 4,800 | 5,000 |
| Others | 82,988 | 61,811 |
| Less: Allowance for ECLs | (560,913) | (449,484) |
| Provision for Impairment losses | (605) | - |
| Total | 2,506,497 | 1,730,997 |

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

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|-------------------------------------|-----------------------------|-------------------------------|
| At the beginning of the period/year | 449,484 | 152,413 |
| Charge for the period/year | 135,737 | 295,148 |
| Reversal of impairment | (33,759) | (749) |
| Others | 9,451 | 2,672 |
| At the end of the period/year | 560,913 | 449,484 |

(c) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------|---------|---------|---------|---------|
| 30 June 2021 (Unaudited) | 1,028 | - | 559,885 | 560,913 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | 284 | - | 449,200 | 449,484 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

33. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--------------------------|-----------------------------|-------------------------------|
| Individuals | 43,240,633 | 40,350,282 |
| Institutions | 12,096,741 | 7,137,160 |
| Less: Allowance for ECLs | <u>(641,696)</u> | <u>(671,470)</u> |
| Total | <u>54,695,678</u> | <u>46,815,972</u> |

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|-------------------------------------|-----------------------------|-------------------------------|
| At the beginning of the period/year | 671,470 | 248,712 |
| Charge for the period/year | 101,860 | 434,936 |
| Reversal of impairment | (44,443) | (4,249) |
| Amounts written off | (82,697) | - |
| Others | <u>(4,494)</u> | <u>(7,929)</u> |
| At the end of the period/year | <u>641,696</u> | <u>671,470</u> |

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------------------|-----------------------------|-------------------------------|
| Fair value of collateral: | | |
| - Equity securities | 144,478,001 | 140,698,363 |
| - Cash | 4,922,619 | 4,171,357 |
| - Mutual funds | 5,053,221 | 3,436,857 |
| - Debt securities | 2,877,145 | 2,033,905 |
| - Others | <u>920,120</u> | <u>750,214</u> |
| Total | <u>158,251,106</u> | <u>151,090,696</u> |

(d) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------|---------------|------------|----------------|----------------|
| 30 June 2021 (Unaudited) | <u>23,524</u> | <u>505</u> | <u>617,667</u> | <u>641,696</u> |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | <u>31,554</u> | <u>504</u> | <u>639,412</u> | <u>671,470</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

| Current | 30 June 2021 | 31 December 2020 |
|--------------------------|--------------------|--------------------|
| | (Unaudited) | (Audited) |
| Equity securities | 3,446,864 | 4,155,091 |
| Debt securities | 343,309 | 2,596,552 |
| Less: Allowance for ECLs | <u>(1,474,715)</u> | <u>(1,471,697)</u> |
| Total | <u>2,315,458</u> | <u>5,279,946</u> |

(b) Analysed by market:

| Current | 30 June 2021 | 31 December 2020 |
|--------------------------|--------------------|--------------------|
| | (Unaudited) | (Audited) |
| Stock exchanges | 3,631,164 | 4,353,987 |
| Inter-bank market | 159,009 | 2,397,656 |
| Less: Allowance for ECLs | <u>(1,474,715)</u> | <u>(1,471,697)</u> |
| Total | <u>2,315,458</u> | <u>5,279,946</u> |

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

| | 30 June 2021 | 31 December 2020 |
|-------------------------------------|------------------|------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 1,471,697 | 1,275,453 |
| Charge for the period/year | 87,938 | 238,104 |
| Reversal for the period/year | <u>(84,920)</u> | <u>(41,860)</u> |
| At the end of the period/year | <u>1,474,715</u> | <u>1,471,697</u> |

(d) Analysed by stage of ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------|--------------|--------------|------------------|------------------|
| 30 June 2021 (Unaudited) | <u>712</u> | <u>8,439</u> | <u>1,465,564</u> | <u>1,474,715</u> |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 31 December 2020 (Audited) | <u>4,452</u> | <u>289</u> | <u>1,466,956</u> | <u>1,471,697</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| Current | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|----------------------------|-----------------------------|-------------------------------|
| Debt securities | 18,775,006 | 23,267,650 |
| Mutual funds | 18,947,358 | 17,518,087 |
| Wealth management products | 10,193,435 | 8,135,564 |
| Equity shares | 6,879,337 | 5,625,460 |
| Asset management products | 2,244,414 | 1,936,924 |
| Others | 2,126,366 | 1,968,991 |
| Total | 59,165,916 | 58,452,676 |
| Analysed as: | | |
| - Listed outside Hong Kong | 9,861,003 | 8,899,901 |
| - Listed inside Hong Kong | 384,260 | 310,616 |
| - Unlisted | 48,920,653 | 49,242,159 |
| Total | 59,165,916 | 58,452,676 |

As at 30 June 2021 and 31 December 2020, 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 a total fair value of RMB85,783 thousand and RMB120,343 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 33(c) together with the fair value of collateral of the margin financing business.

As at 30 June 2021 and 31 December 2020, financial assets at fair value through profit or loss of the Group included RMB10,811,264 thousand and RMB12,887,339 thousand, respectively, which is pledged, restricted or frozen, of which the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group amounted to RMB791,145 thousand and RMB621,447 thousand, respectively.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

37. CLEARING SETTLEMENT FUNDS

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|-------------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Deposits with | | |
| - China Securities Depository and Clearing Corporation Limited | 479,618 | 215,574 |
| - Others | <u>1,088,814</u> | <u>836,272</u> |
| Total | <u><u>1,568,432</u></u> | <u><u>1,051,846</u></u> |

38. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

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

In Mainland China, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by 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.

39. CASH AND BANK BALANCES

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---------------|--------------------------|--------------------------|
| | (Unaudited) | (Audited) |
| Cash on hand | 186 | 184 |
| Bank balances | <u>25,088,259</u> | <u>16,106,906</u> |
| Total | <u><u>25,088,445</u></u> | <u><u>16,107,090</u></u> |

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates. As at 30 June 2021 and 31 December 2020, the Group's bank balances of RMB497,382 thousand and RMB225,780 thousand, respectively, were restricted.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

40. CASH AND CASH EQUIVALENTS

| | 30 June 2021 | 31 December 2020 |
|--|-------------------|------------------|
| | (Unaudited) | (Audited) |
| Cash on hand | 186 | 184 |
| Bank balances | 25,088,259 | 16,106,906 |
| Clearing settlement funds | 1,568,432 | 1,051,846 |
| Less: Restricted bank deposits | (497,382) | (7,405,780) |
| - Time deposit with maturity of more than three months | - | (7,180,000) |
| - Others | (497,382) | (225,780) |
| Less: Interest receivable | (132,588) | (156,632) |
| Total | <u>26,026,907</u> | <u>9,596,524</u> |

41. LOANS AND BORROWINGS

30 June 2021
(Unaudited)

| | Currency | Nominal interest rate | Year of maturity | Carrying amount |
|----------------------|----------|-------------------------------|------------------|-------------------|
| Unsecured bank loans | | | | |
| - Current | HKD | Hibor+1.01% to Hibor+2.20% | 2021-2022 | 11,202,070 |
| - Current | RMB | 4.50% | 2021 | 10,013 |
| - Non-current | HKD | Hibor+1.97% to Hibor+2.07% | 2022-2023 | 1,942,257 |
| Secured bank loans | | | | |
| - Current | RMB | 3.80%-6.70% | 2021-2022 | 285,220 |
| - Non-current | RMB | 4.35%-5.80% | 2023-2024 | 865,292 |
| Total | | | | <u>14,304,852</u> |

31 December 2020
(Audited)

| | Currency | Nominal interest rate | Year of maturity | Carrying amount |
|----------------------|----------|-------------------------------|------------------|------------------|
| Unsecured bank loans | | | | |
| - Current | HKD | Hibor+1.24% to Hibor+2.39% | 2021 | 4,951,355 |
| - Current | RMB | 4.50% | 2021 | 10,002 |
| - Non-current | HKD | Hibor+2.39% | 2022-2023 | 496,568 |
| Secured bank loans | | | | |
| - Current | RMB | 3.85%-6.70% | 2021 | 978,056 |
| - Non-current | RMB | 4.35%-6.70% | 2022-2023 | 571,535 |
| Total | | | | <u>7,007,516</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

42. SHORT-TERM DEBT INSTRUMENTS

| (Unaudited) | Nominal interest rate | Book value as at 1 January 2021 | Increase | Decrease | Book value as at 30 June 2021 |
|---|--------------------------|---------------------------------------|------------|--------------|-------------------------------------|
| Short-term financing bills payable and corporate bonds, structured notes | 0.00%- 6.88% | 10,324,937 | 14,592,110 | (15,627,657) | 9,289,390 |

| (Audited) | Nominal interest rate | Book value as at 1 January 2020 | Increase | Decrease | Book value as at 31 December 2020 |
|---|--------------------------|---------------------------------------|------------|--------------|---|
| Short-term financing bills payable and corporate bonds, structured notes | 0.00%- 6.98% | 4,489,383 | 47,831,627 | (41,996,073) | 10,324,937 |

During the six months ended 30 June 2021, the Group has issued 84 tranches of structured notes, and repaid 78 tranches of structured notes. The balance bears interest at the fixed interest rates ranging from 0.00% to 6.88% per annum plus a floating rate, and was repayable within 1 year.

In 2020, the Group issued 213 tranches of structured notes, and repaid 202 tranches of structured notes during the reporting period. The balance bears interest at the fixed interest rates ranging from 0.00% to 6.98% per annum plus a floating rate, and was repayable within 1 year.

43. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

| | | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|----------------------|-----|-----------------------------|-------------------------------|
| Interbank lending | (1) | 8,708,593 | 16,722,470 |
| Placements from CSFC | (2) | 1,950,365 | 1,000,311 |
| Total | | 10,658,958 | 17,722,781 |

(1) As at 30 June 2021, the interbank lending was unsecured and bears interest at rates ranging from 2.10% to 3.00% per annum, with maturity ranging from 1 day to 350 days. As at 31 December 2020, the interbank lending was unsecured and bore interest at rates ranging from 0.50% to 2.90% per annum, with maturity ranging from 3 days to 215 days.

(2) As at 30 June 2021 and 31 December 2020, placements from CSFC were repayable within one year, and bear interest at rates ranging from 2.50% to 2.80% per annum (31 December 2020: 2.80%).

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | 30 June 2021 | 31 December 2020 |
|---|-----|------------------|------------------|
| | | (Unaudited) | (Audited) |
| At fair value through profit or loss | | | |
| - Others | (2) | 54,667 | 322,690 |
| Designated as fair value through profit or loss | | | |
| - Structured notes | | 964,546 | 1,007,372 |
| - Preference shares | (1) | - | 988,179 |
| - Others | (2) | 270,180 | 293,954 |
| Total | | <u>1,289,393</u> | <u>2,612,195</u> |
| Analysis for presentation purposes: | | | |
| - Current | | 1,289,393 | 1,996,059 |
| - Non-current | | - | 616,136 |
| Total | | <u>1,289,393</u> | <u>2,612,195</u> |

- (1) Sun Hung Kai Financial Group Limited issued 90,365,142 preference shares to Sun Hung Kai & Co. Limited with a dividend yield of 8.5% on 17 November 2020. The preference shares have redemption clauses and were classified as debt instruments by the Group. Sun Hung Kai Financial Group Limited has exercised the early redemption option on 1 June 2021.
- (2) 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.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

45. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|--------------------------|--------------------------|
| | (Unaudited) | (Audited) |
| Clients' deposits for other brokerage business | 59,578,820 | 52,765,682 |
| Clients' deposits for margin financing and securities lending | <u>8,137,291</u> | <u>7,337,026</u> |
| Total | <u><u>67,716,111</u></u> | <u><u>60,102,708</u></u> |

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

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

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

46. EMPLOYEE BENEFITS PAYABLE

| | <u>Salaries, bonuses and allowances</u> | <u>Contributions to pension schemes</u> | <u>Other social welfare</u> | <u>Total</u> |
|---|---|---|---------------------------------|--------------------|
| Current | | | | |
| 31 December 2019 (Audited) | 1,509,152 | 4,836 | 43,286 | 1,557,274 |
| Accrued for the year | 3,208,231 | 145,821 | 378,016 | 3,732,068 |
| Payments made | <u>(3,029,799)</u> | <u>(146,290)</u> | <u>(405,358)</u> | <u>(3,581,447)</u> |
| 31 December 2020 (Audited) | 1,687,584 | 4,367 | 15,944 | 1,707,895 |
| Accrued for the period | 1,683,500 | 127,925 | 245,966 | 2,057,391 |
| Payments made | <u>(1,938,769)</u> | <u>(127,732)</u> | <u>(241,550)</u> | <u>(2,308,051)</u> |
| 30 June 2021 (Unaudited) | <u>1,432,315</u> | <u>4,560</u> | <u>20,360</u> | <u>1,457,235</u> |
| Non-current | | | | |
| 31 December 2019 (Audited) | 998 | - | - | 998 |
| Accrued for the year | 2,819 | - | - | 2,819 |
| Payments made | <u>(1,522)</u> | <u>-</u> | <u>-</u> | <u>(1,522)</u> |
| 31 December 2020 (Audited) and 30 June 2021 (Unaudited) | <u>2,295</u> | <u>-</u> | <u>-</u> | <u>2,295</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

47. OTHER PAYABLES AND ACCRUALS

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|---------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Payables to interest holders of ABS | 1,907,375 | 1,907,493 |
| Deposits | 1,057,862 | 248,746 |
| Settlement payables | 971,236 | 877,211 |
| Dividends payable | 942,205 | - |
| Payables to interest holders of consolidated structured entities | 521,373 | 505,348 |
| Other tax payable | 364,027 | 516,794 |
| Distribution expenses payable | 187,254 | 218,677 |
| Risk reserve for futures brokerage business | 135,286 | 123,176 |
| Accrued expenses | 102,349 | 56,156 |
| Commission payables | 66,449 | 99,177 |
| Bond underwriting fees | 41,676 | 48,362 |
| Commodity prepayment | 40,010 | 9,043 |
| Payables to custodians | 29,467 | 27,439 |
| Deferred revenue | 29,161 | 32,258 |
| Payables to the securities and futures investor protection fund | 25,675 | 33,295 |
| Option prepayment | 15,652 | 15,832 |
| Interest payable | 12,056 | 46,179 |
| Payables on behalf of staff | 6,115 | 20,676 |
| Subscription fees payable | - | 47,000 |
| Distribution fees payable | - | 40,000 |
| Others ⁽¹⁾ | 255,542 | 193,044 |
| Total | <u>6,710,770</u> | <u>5,065,906</u> |

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

48. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|-----------------|---------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Current | | |
| Debt securities | 23,650,888 | 21,449,683 |
| Others | - | 206,174 |
| Total | <u>23,650,888</u> | <u>21,655,857</u> |

(b) Analysed by market:

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|------------------|---------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Current | | |
| Interbank market | 21,766,844 | 20,675,153 |
| Stock exchanges | 1,884,044 | 774,530 |
| OTC market | - | 206,174 |
| Total | <u>23,650,888</u> | <u>21,655,857</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

49. LONG-TERM BONDS

As at 30 June 2021 (Unaudited)

| Name | Par value in original currency | Issue date | Maturity date | Issue in original currency | Coupon rate | Book value as at 31 December 2020 (Audited) | Increase | Decrease | Book value as at 30 June 2021 (Unaudited) |
|--|--------------------------------------|------------|---------------|----------------------------------|----------------|--|-----------|-------------|--|
| EBSHKBVI/Corp ⁽¹⁾ | USD200,000 | 21/11/2018 | 21/11/2021 | USD200,000 | 3.20% | 1,310,343 | 34,858 | (46,799) | 1,298,402 |
| 17 EVERBRIGHTG2 ⁽²⁾ | 1,500,000 | 04/07/2017 | 04/07/2022 | 1,492,500 | 4.70% | 1,532,137 | 36,000 | - | 1,568,137 |
| 17 EVERBRIGHTG4 ⁽³⁾ | 1,600,000 | 16/10/2017 | 16/10/2022 | 1,595,200 | 4.90% | 1,614,507 | 39,680 | - | 1,654,187 |
| 18 EVERBRIGHTC1 ⁽⁴⁾ | 3,000,000 | 13/12/2018 | 13/12/2021 | 3,000,000 | 4.30% | 3,002,722 | 66,500 | - | 3,069,222 |
| 18 EVERBRIGHTG2 ⁽⁵⁾ | 3,300,000 | 18/04/2018 | 18/04/2021 | 3,283,500 | 4.78% | 3,408,768 | 48,972 | (3,457,740) | - |
| 18 EVERBRIGHTG3 ⁽⁶⁾ | 2,800,000 | 26/09/2018 | 26/09/2021 | 2,794,960 | 4.30% | 2,830,482 | 61,040 | - | 2,891,522 |
| 18 EVERBRIGHTG6 ⁽⁷⁾ | 4,000,000 | 30/07/2018 | 30/07/2021 | 4,000,000 | 4.67% | 4,078,838 | 93,400 | - | 4,172,238 |
| 18 EVERBRIGHT Xingfu PPN001 ⁽⁸⁾ | 200,000 | 07/02/2018 | 07/02/2021 | 200,000 | 6.80% | 190,835 | - | (190,835) | - |
| 19 EVERBRIGHT01 ⁽⁹⁾ | 3,000,000 | 22/01/2019 | 22/01/2022 | 3,000,000 | 3.88% | 3,106,676 | 59,700 | (116,400) | 3,049,976 |
| 19 EVERBRIGHT02 ⁽¹⁰⁾ | 3,000,000 | 22/08/2019 | 22/08/2022 | 3,000,000 | 3.75% | 3,040,524 | 56,250 | - | 3,096,774 |
| 20 EVERBRIGHTF1 ⁽¹¹⁾ | 3,000,000 | 09/03/2020 | 09/03/2023 | 3,000,000 | 3.19% | 3,077,692 | 47,850 | (95,700) | 3,029,842 |
| 20 EVERBRIGHTG1 ⁽¹²⁾ | 1,500,000 | 22/06/2020 | 22/06/2023 | 1,500,000 | 3.10% | 1,523,245 | 23,486 | (46,500) | 1,500,231 |
| 20 EVERBRIGHTG3 ⁽¹³⁾ | 3,700,000 | 14/07/2020 | 14/07/2023 | 3,687,830 | 3.60% | 3,755,716 | 67,363 | - | 3,823,079 |
| 20 EVERBRIGHTG5 ⁽¹⁴⁾ | 4,800,000 | 28/08/2020 | 28/08/2023 | 4,784,340 | 3.70% | 4,852,042 | 89,801 | - | 4,941,843 |
| 20 EVERBRIGHTG6 ⁽¹⁵⁾ | 3,000,000 | 25/12/2020 | 27/12/2021 | 2,991,509 | 3.12% | 2,993,466 | 48,824 | - | 3,042,290 |
| 20 EVERBRIGHTG7 ⁽¹⁶⁾ | 1,700,000 | 25/12/2020 | 25/12/2023 | 1,700,000 | 3.60% | 1,701,174 | 27,691 | - | 1,728,865 |
| 21 EVERBRIGHTG1 ⁽¹⁷⁾ | 5,300,000 | 14/01/2021 | 14/01/2024 | 5,300,000 | 3.57% | - | 5,387,088 | - | 5,387,088 |
| 21 EVERBRIGHTG2 ⁽¹⁸⁾ | 2,000,000 | 07/06/2021 | 07/06/2026 | 2,000,000 | 3.30% | - | 2,004,340 | - | 2,004,340 |
| 21 EVERBRIGHTG3 ⁽¹⁹⁾ | 1,000,000 | 07/06/2021 | 07/06/2026 | 1,000,000 | 3.67% | - | 1,002,413 | - | 1,002,413 |
| Total | | | | | | 42,019,167 | 9,195,256 | (3,953,974) | 47,260,449 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

49. LONG-TERM BONDS (continued)

As at 31 December 2020 (Audited)

| Name | Par value in original currency | Issue date | Maturity date | Issue in original currency | Coupon rate | Book value as at 31 December 2019 | Increase | Decrease | Book value as at 31 December 2020 |
|--|--------------------------------------|------------|---------------|----------------------------------|----------------|--|-------------------|---------------------|--|
| EBSHKBVICorp ⁽¹⁾ | USD200,000 | 21/11/2018 | 21/11/2021 | USD200,000 | 3.20% | 1,397,588 | 71,223 | (158,468) | 1,310,343 |
| 17 EVERBRIGHT04 | 2,000,000 | 14/02/2017 | 14/02/2020 | 2,000,000 | 5.50% | 2,077,885 | 11,115 | (2,089,000) | - |
| 17 EVERBRIGHT06 | 4,000,000 | 26/04/2017 | 26/04/2020 | 3,988,000 | 5.00% | 4,135,315 | 64,685 | (4,200,000) | - |
| 17 EVERBRIGHTG1 | 3,000,000 | 04/07/2017 | 04/07/2020 | 2,985,000 | 4.58% | 3,063,942 | 73,458 | (3,137,400) | - |
| 17 EVERBRIGHTG2 ⁽²⁾ | 1,500,000 | 04/07/2017 | 04/07/2022 | 1,492,500 | 4.70% | 1,530,416 | 72,221 | (70,500) | 1,532,137 |
| 17 EVERBRIGHTG3 | 4,100,000 | 16/10/2017 | 16/10/2020 | 4,087,700 | 4.80% | 4,137,749 | 159,051 | (4,296,800) | - |
| 17 EVERBRIGHTG4 ⁽³⁾ | 1,600,000 | 16/10/2017 | 16/10/2022 | 1,595,200 | 4.90% | 1,613,652 | 79,255 | (78,400) | 1,614,507 |
| 18 EVERBRIGHTC1 ⁽⁴⁾ | 3,000,000 | 13/12/2018 | 13/12/2021 | 3,000,000 | 4.30% | 2,998,722 | 133,000 | (129,000) | 3,002,722 |
| 18 EVERBRIGHTG1 | 2,700,000 | 18/04/2018 | 18/04/2020 | 2,686,500 | 4.68% | 2,786,427 | 39,933 | (2,826,360) | - |
| 18 EVERBRIGHTG2 ⁽⁵⁾ | 3,300,000 | 18/04/2018 | 18/04/2021 | 3,283,500 | 4.78% | 3,403,268 | 163,240 | (157,740) | 3,408,768 |
| 18 EVERBRIGHTG3 ⁽⁶⁾ | 2,800,000 | 26/09/2018 | 26/09/2021 | 2,794,960 | 4.30% | 2,828,856 | 122,026 | (120,400) | 2,830,482 |
| 18 EVERBRIGHT02 | 2,000,000 | 18/01/2018 | 18/01/2020 | 1,990,000 | 5.55% | 2,105,208 | 5,792 | (2,111,000) | - |
| 18 EVERBRIGHT05 | 1,000,000 | 30/07/2018 | 30/07/2020 | 990,000 | 4.55% | 1,016,335 | 29,165 | (1,045,500) | - |
| 18 EVERBRIGHT06 ⁽⁷⁾ | 4,000,000 | 30/07/2018 | 30/07/2021 | 4,000,000 | 4.67% | 4,078,899 | 186,739 | (186,800) | 4,078,838 |
| 17 EVERBRIGHT Xingfu PPN001 | 600,000 | 29/03/2017 | 29/03/2020 | 600,000 | 5.00% | 621,514 | 8,486 | (630,000) | - |
| 17 EVERBRIGHT Xingfu PPN002 | 200,000 | 27/04/2017 | 27/04/2020 | 200,000 | 5.50% | 207,272 | 3,728 | (211,000) | - |
| 18 EVERBRIGHT Xingfu PPN001 ⁽⁸⁾ | 200,000 | 07/02/2018 | 07/02/2021 | 200,000 | 6.80% | 190,601 | 13,834 | (13,600) | 190,835 |
| Dingfu No.204 Structured Notes | 200,000 | 25/12/2018 | 28/06/2020 | 200,000 | 4.00% | 208,153 | 3,332 | (211,485) | - |
| Dingfu No.205 Structured Notes | 200,000 | 31/01/2019 | 21/04/2020 | 200,000 | 3.90% | 207,159 | 1,945 | (209,104) | - |
| Jinzhishu No.1062 Structured Notes | 2,000,000 | 21/12/2018 | 18/06/2020 | 2,000,000 | 4.00% | 2,082,411 | 33,315 | (2,115,726) | - |
| Jinzhishu No.1057 Structured Notes | 500,000 | 25/12/2018 | 25/03/2020 | 500,000 | 4.10% | 520,892 | 3,370 | (524,262) | - |
| Jinzhishu No.1088 Structured Notes | 500,000 | 27/02/2020 | 25/08/2021 | 500,000 | 3.50% | - | 504,555 | (504,555) | - |
| 19 EVERBRIGHT01 ⁽⁹⁾ | 3,000,000 | 22/01/2019 | 22/01/2022 | 3,000,000 | 3.88% | 3,103,676 | 119,400 | (116,400) | 3,106,676 |
| 19 EVERBRIGHT02 ⁽¹⁰⁾ | 3,000,000 | 22/08/2019 | 22/08/2022 | 3,000,000 | 3.75% | 3,040,524 | 112,500 | (112,500) | 3,040,524 |
| 20 EVERBRIGHTF1 ⁽¹¹⁾ | 3,000,000 | 09/03/2020 | 09/03/2023 | 3,000,000 | 3.19% | - | 3,077,692 | - | 3,077,692 |
| 20 EVERBRIGHTG1 ⁽¹²⁾ | 1,500,000 | 22/06/2020 | 22/06/2023 | 1,500,000 | 3.10% | - | 1,523,245 | - | 1,523,245 |
| 20 EVERBRIGHTG3 ⁽¹³⁾ | 3,700,000 | 14/07/2020 | 14/07/2023 | 3,687,830 | 3.60% | - | 3,755,716 | - | 3,755,716 |
| 20 EVERBRIGHTG5 ⁽¹⁴⁾ | 4,800,000 | 28/08/2020 | 28/08/2023 | 4,784,340 | 3.70% | - | 4,852,042 | - | 4,852,042 |
| 20 EVERBRIGHTG6 ⁽¹⁵⁾ | 3,000,000 | 25/12/2020 | 27/12/2021 | 2,991,509 | 3.12% | - | 2,993,466 | - | 2,993,466 |
| 20 EVERBRIGHTG7 ⁽¹⁶⁾ | 1,700,000 | 25/12/2020 | 25/12/2023 | 1,700,000 | 3.60% | - | 1,701,174 | - | 1,701,174 |
| Total | | | | | | 47,356,464 | 19,918,703 | (25,256,000) | 42,019,167 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

49. LONG-TERM BONDS (continued)

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|-------------------------------------|------------------------------------|--------------------------------------|
| Long-term bonds due within one year | 17,523,650 | 18,243,518 |
| Long-term bonds due after one year | <u>29,736,799</u> | <u>23,775,649</u> |
| Total | <u>47,260,449</u> | <u>42,019,167</u> |

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

- (1) 3-year redeemable bond with a par value of USD200 million on 21 November 2018
- (2) 5-year corporate bond amounting to RMB1.5 billion on 4 July 2017
- (3) 5-year corporate bond amounting to RMB1.6 billion on 16 October 2017
- (4) 3-year subordinated bond amounting to RMB3 billion on 13 December 2018
- (5) 3-year corporate bond amounting to RMB3.3 billion on 18 April 2018
- (6) 3-year corporate bond amounting to RMB2.8 billion on 26 September 2018
- (7) 3-year corporate bond amounting to RMB4 billion on 30 July 2018
- (8) 3-year PPN amounting to RMB200 million on 7 February 2018
- (9) 3-year corporate bond amounting to RMB3 billion on 22 January 2019
- (10) 3-year corporate bond amounting to RMB3 billion on 22 August 2019
- (11) 3-year corporate bond amounting to RMB3 billion on 9 March 2020
- (12) 3-year corporate bond amounting to RMB1.5 billion on 22 June 2020
- (13) 3-year corporate bond amounting to RMB3.7 billion on 14 July 2020
- (14) 3-year corporate bond amounting to RMB4.8 billion on 28 August 2020
- (15) 1-year corporate bond amounting to RMB3 billion on 25 December 2020
- (16) 3-year corporate bond amounting to RMB1.7 billion on 25 December 2020
- (17) 3-year corporate bond amounting to RMB5.3 billion on 14 January 2021
- (18) 5-year corporate bond amounting to RMB2.0 billion on 7 June 2021
- (19) 5-year corporate bond amounting to RMB1.0 billion on 7 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

50. PROVISION FOR CONTINGENT LIABILITIES

(a) Provision

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|----------------------------|---------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Litigation and arbitration | <u>4,551,170</u> | <u>4,551,975</u> |

(b) Provision for contingent liabilities

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|---------------------|-------------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 4,551,975 | 3,010,922 |
| Additional provision | - | 1,549,750 |
| Amounts utilised during the period/year | <u>(805)</u> | <u>(8,697)</u> |
| At the end of the period/year | <u>4,551,170</u> | <u>4,551,975</u> |

Everbright Capital Investment Co., Ltd. (hereinafter referred to as "Everbright Capital"), a wholly-owned subsidiary of the Company, is principally engaged in the private equity investment fund business. Everbright Jinhui Asset Management Co., Ltd. (Shanghai) (hereinafter referred to as "Everbright Jinhui") is a subsidiary of Everbright Capital. In April 2016, Everbright Jinhui, together with Baofeng (Tianjin) Investment Management Co., Ltd., a wholly-owned subsidiary of Baofeng Group Co., Ltd. (hereinafter referred to as "Baofeng Group") and Shanghai Qunchang Financial Services Co., Ltd., signed a partnership agreement with the limited partners of Shanghai Jinxin Investment Consultancy Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Jinxin Fund") as general partners with the proposition to directly or indirectly acquire 65% equity interests in an overseas company, MP & Silva Holding S.A. (hereinafter referred to as "MPS") through the incorporation of a special purpose vehicle held by Jinxin Fund. Everbright Jinhui is the managing partner of Jinxin Fund. Jinxin Fund's senior-tranche limited partners contributed RMB3,200,000 thousand, the mid-tranche limited partners contributed RMB1,000,000 thousand, and the junior-tranche limited partners contributed RMB1,000,000 thousand. The senior-tranche limited partners are China Merchants Wealth Asset Management Co., Ltd., which is a stakeholder of China Merchants Bank Co., Ltd. (hereinafter referred to as "Merchants Bank"), and Shanghai Aijian Trust Co., Ltd., which is a stakeholder of Shanghai Hua Rui Bank Co., Ltd. (hereinafter referred to as "Hua Rui Bank") contributed RMB2.8 billion and RMB400 million respectively. Meanwhile, each of the senior-tranche limited partners presented a "Letter of Makeup of Shortfall" with the seal of Everbright Capital affixed, however, it was not in compliance with the internal approval process of Everbright Capital, the main contents of which are that Everbright Capital shall have the obligation to make up the corresponding shortfall to the extent that the senior-tranche limited partners are unable to exit their investments with indicated returns within a 36-month investment period of Jinxin Fund. On 25 February 2019, the investment period of Jinxin Fund expired and Everbright Capital failed to exit as originally planned.

In October 2018, Hua Rui Bank initiated arbitration proceedings with Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) against Everbright Jinhui to recover the investment principal, investment return, penalty, legal and arbitration costs amounting to RMB452.37 million regarding the "Supplementary Agreement to the Partnership Agreement of Shanghai Jinxin Investment Consultancy Partnership Enterprise (Limited Partnership)". In May 2020, Everbright Jinhui received the Arbitration Award ([2020] Humao Arbitration No. 0338), which ruled that Everbright Jinhui, as a respondent, shall pay Hua Rui Bank principal of RMB400 million and the corresponding expected income, legal fees, arbitration fees and other related expenses to Hua Rui Bank as applicant.

(All amounts expressed in RMB thousands unless otherwise specified)

50. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

In November 2018, Hua Rui Bank also filed a civil lawsuit with the Shanghai Financial Court against Everbright Capital over the same case with claims amounting to approximately RMB431.36 million. Hua Rui Bank also initiated preservative measures requesting the Shanghai Financial Court to freeze Everbright Capital's basic deposit account and equity interests in some investments. In August 2020, Everbright Capital received the paper of civil judgement of first instance ((2018) Hu 74 Min Chu No. 730) from the Shanghai Financial Court that Everbright Capital shall pay to Hua Rui Bank the principal of RMB400 million and the investment income from 1 January 2018 to the date of actual fulfilment, and bear the legal fees, preservation fee and other related expenses. If Hua Rui Bank receives the original capital of its investment and the income due to the enforcement of the outcome of arbitration, the payment obligation of Everbright Capital under the above judgement will be decreased correspondingly. Everbright Capital appealed to the High Court. In May 2021, Everbright Capital received the paper of civil judgement of second instance ((2020) Hu Min Zhong No. 618) from the Shanghai High Court that rejected the request of Everbright Capital, and the original verdict was upheld. Hua Rui Bank has applied for enforcement, and Everbright Capital has received the enforcement notice.

In November 2018, Shenzhen Hengxiang Equity Investment Fund LLP (Limited Partnership) (hereinafter referred to as "Shenzhen Hengxiang"), one of the mid-tranche limited partners of Jinxin Fund, initiated arbitration proceedings with Shanghai International Arbitration Center against Everbright Jinhui as one of the respondents in disputes over the partnership agreements and the supplementary agreements. The arbitration amount was about RMB167.81million. Shenzhen Hengxiang presented the "Supplementary Agreement" signed by all general partners. The Supplementary Agreement stated that all general partners have the obligation to make up the corresponding shortfall to the extent that Shenzhen Hengxiang is unable to exit its investment principal of RMB150 million with indicated returns. In November 2018, the People's Court of Jingan District of Shanghai accepted the application of the property preservation of Shenzhen Hengxiang and has frozen the relevant equity interests in some investments held by Everbright Jinhui. In April 2020, Everbright Jinhui received the Arbitration Award ([2020] Humao Arbitration No. 0322), which ruled that Everbright Jinhui, Baofeng (Tianjin) Investment Management Co., Ltd. and Shanghai Qunchang Financial Services Co., Ltd., as respondents, shall pay Shenzhen Hengxiang's investment principal of RMB150 million and the corresponding expected income, legal fees, arbitration fees and other related expenses.

In May 2019, Everbright Capital received the notice of responding to prosecution from the Shanghai Financial Court. Merchants Bank initiated a civil lawsuit as plaintiff against Everbright Capital, requesting Everbright Capital to fulfil the obligation of making up the shortfall according to the "Letter of Makeup of Shortfall". The suit amount was approximately RMB3,489 million for the principal of RMB2,800 million, expected income, penalties and other related expenses. In May 2019, Shanghai Financial Court accepted the application of the property preservation of Everbright Capital and has frozen the relevant equity interests in some investments held by Everbright Capital. In August 2020, Everbright Capital received the paper of civil judgement of first instance ((2019) Hu 74 Min Chu No. 601) from the Shanghai Financial Court that Everbright Capital shall pay RMB3,116 million and the accrued interest from 6 May 2019 to the date of actual payoff to Merchants Bank, and bear part of the legal fees, property preservation fee and other related expenses. Everbright Capital appealed to the High Court. In June 2021, Everbright Capital received the paper of civil judgement of second instance ((2020) Hu Min Zhong No. 567) from the Shanghai High Court that rejected the request of Everbright Capital, and the original verdict was upheld. Merchants Bank has applied for enforcement, and Everbright Capital has received the enforcement notice.

(All amounts expressed in RMB thousands unless otherwise specified)

50. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

In September 2020, Jiaxing Zhaoyuan Yongjin Equity Investment Fund Partnership (Limited Partnership), one of the mid-tranche limited partners of Jinxin Fund, initiated a civil lawsuit as plaintiff against Everbright Capital, regarding tort liability dispute, to request Everbright Capital to compensate for the loss of the investment principal of RMB600 million and the corresponding expected income. The trial of this lawsuit is still in progress and has not judged.

In June 2021, Shanghai Dongxing Investment Holdings Co., Ltd., the stakeholder of one of mid-tranche limited partners of Jinxin Fund, initiated civil lawsuits as plaintiff against Everbright Capital, regarding contract dispute, to request Everbright Capital to compensate for the loss of the investment principal and corresponding expected income, amounted to RMB246.5 million. Guizhou Guian Financial Investment Co., Ltd., another mid-tranche limited partner of Jinxin Fund, initiated civil lawsuits as plaintiff against Everbright Capital and Everbright Jinhui, regarding tort liability dispute, to request Everbright Capital and Everbright Jinhui to compensate for the loss of the investment principal of RMB95 million and related interests. The trial of these lawsuits is still in progress and have not judged.

Based on the assessment of the latest developments in the relevant litigation and arbitration, combined with the information currently obtained, and taking into account the requirements of the relevant laws and regulations, the Group made a provision for contingent liabilities amounting to RMB4.55 billion as of 30 June 2021 (31 December 2020: RMB4.55 billion) in accordance with the relevant provisions of the IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The provision was made based on an assessment and estimate of probable losses, after considering the repurchase agreement for Baofeng Group and its controlling shareholder, Feng Xin, to repurchase equity interests in MPS from Jinxin Fund as contractually agreed. In this regard, on 13 March 2019, Everbright Jinhui, in its capacity as the executive partner of Jinxin Fund, together with Jinxin Fund, jointly pursued civil legal action against Baofeng Group and Feng Xin at Beijing Higher People's Court, seeking compensation for losses arising from the non-fulfilment of their obligations to repurchase the 65% equity interests in MPS from Jinxin Fund and other related costs, totalling RMB751.19 million. In December 2020, Everbright Jinhui received the Paper of Civil Judgement of first instance ([2019] Jing Min Chu No. 42), which rejected the plaintiff's claim, and the relevant case acceptance fees and property preservation fees were borne by the plaintiff. As of the date of approval of the financial statements, the Group has appealed to defend against the judgement of the first instance, and the relevant litigation is currently in progress.

In June 2021, Jinxin Inc., the overseas project investment vehicle registered in Cayman of Jinxin Fund, filed a lawsuit against Riccardo Silva, Andreaa Radrizzani and other previous shareholders of MPS, regarding fraudulent misrepresentation and breach of tax commitment, in the higher court of England and Wales, amounted to USD661 million. As of the date of approval of the financial statements, no court session has been held.

The Company will continue to monitor the progress and results of the matter, evaluate the responsibility to be undertaken, and disclose the relevant information.

Please refer to the Group's announcements of No. Lin 2019-008, No. Lin 2019-012, No. Lin 2019-016, No. Lin 2019-037, No. Lin 2019-051, No. Lin 2020-015, No. Lin 2020-049, No. Lin 2020-051, No. Lin 2020-080, No. Lin 2020-094, No. Lin 2021-006, No. Lin 2021-031, No. Lin 2021-037 and No. Lin 2021-045 for more details.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

51. OTHER NON-CURRENT LIABILITIES

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|------------------|------------------------------------|--------------------------------------|
| Deposits | 101,480 | 131,387 |
| Deferred revenue | 2,218 | 6,288 |
| Others | <u>13,649</u> | <u>11,514</u> |
| Total | <u><u>117,347</u></u> | <u><u>149,189</u></u> |

52. SHARE CAPITAL

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

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|--|------------------------------------|--------------------------------------|
| Registered, issued and fully paid (at RMB1 per share) | <u><u>4,610,788</u></u> | <u><u>4,610,788</u></u> |

53. OTHER EQUITY INSTRUMENTS

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|------------------------------|------------------------------------|--------------------------------------|
| Perpetual subordinated bonds | <u><u>5,000,000</u></u> | <u><u>2,000,000</u></u> |

As approved by the CSRC, the Company issued a batch of perpetual subordinated bonds ("20 Guangzheng Y1") amounting to RMB2 billion with an initial interest rate of 4.40% on 14 August 2020 and a batch of perpetual subordinated bonds ("21 Guangzheng Y1") amounting to RMB3 billion with an initial interest rate of 4.19% on 10 May 2021. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bps. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on the webpage of China Bond 5 working days before the adjustment.

The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the Company may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary shareholders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

(All amounts expressed in RMB thousands unless otherwise specified)

54. RESERVES AND RETAINED PROFITS

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of 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, for the purpose of covering securities trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of debt investments at fair value through other comprehensive income and equity investments designated 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.

(All amounts expressed in RMB thousands unless otherwise specified)

54. RESERVES AND RETAINED PROFITS (continued)

(f) Retained profits

The movements in retained profits are set out below:

| | 30 June 2021 | 31 December 2020 |
|--|-------------------|-------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 10,259,982 | 9,785,175 |
| Profit for the period/year | 2,262,277 | 2,334,078 |
| Appropriation to surplus reserve | - | (469,852) |
| Appropriation to general reserve | (43,712) | (1,221,743) |
| Dividends approved in respect of the previous year | (728,505) | (170,599) |
| Distribution to other equity instrument holders | (213,700) | - |
| Others | 2,825 | 2,923 |
| | <u>11,539,167</u> | <u>10,259,982</u> |
| At end of the period/year | <u>11,539,167</u> | <u>10,259,982</u> |

55. 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 of these assets, the Group continues to recognise these assets.

(a) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and, therefore, has not derecognised them. In addition, they are recognised as financial assets sold under repurchase agreements.

(b) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and, therefore, has not derecognised such assets.

(c) Asset-backed securities management schemes

The Group sells margin accounts receivable, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitisation vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitisation vehicle collects from the transferred assets have been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus, the Group has not derecognised these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognised as a financial liability.

(All amounts expressed in RMB thousands unless otherwise specified)

55. TRANSFERRED FINANCIAL ASSETS (continued)

(c) Asset-backed securities management schemes (continued)

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

| | Repurchase agreements | Securities lending | Asset-backed securities management schemes |
|--|-----------------------|--------------------|--|
| 30 June 2021 (Unaudited) | | | |
| Carrying amount of transferred assets | - | 88,800 | 2,026,769 |
| Carrying amount of related liabilities | - | N/A | 1,907,375 |
| 31 December 2020 (Audited) | | | |
| Carrying amount of transferred assets | - | 120,343 | 2,003,535 |
| Carrying amount of related liabilities | - | N/A | 1,907,493 |

56. COMMITMENTS

| Capital commitments | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------------------------|-----------------------------|-------------------------------|
| Contracted but not provided for | 10,023 | 15,501 |

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

57. CONTINGENCIES

As at 30 June 2021, the Group's pending litigations for MPS refer to note 50(b) for details.

In November 2020, Everbright Fortune initiated an arbitration with the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) due to an investment agreement dispute with Quanzhou Hongdao Investment Co., Ltd. and Mr. Hu, as the respondent. The amount involved was approximately RMB20.79 million. As of the date of approval of the financial statements, it has been accepted by the Shanghai International Arbitration Center.

In April 2021, Shanghai Everbright Fortune Jinghui Investment Center (Limited Partnership) and Quantum Capital Resources Limited initiated an arbitration with the Hong Kong International Arbitration Centre due to an equity repurchase dispute with Shenzhen Kuangchi Hezhong Technology Co., Ltd. and ASEAN TELECOMMUNICATIONS LIMITED. The amount involved was approximately RMB835 million. As of the date of approval of the financial statements, the case has been accepted by the Hong Kong International Arbitration Centre.

(All amounts expressed in RMB thousands unless otherwise specified)

57. CONTINGENCIES (continued)

In April 2021, a person surnamed Zhao filed a lawsuit against Sun Hung Kai Investment Services Co., Ltd., Sun Hung Kai Commodities Co., Ltd. and Sun Hung Kai Forex Co., Ltd. over the fraudulent and unauthorized transactions and fraudulent misrepresentations of a former customer manager with an amount involved of approximately HK\$81.43 million. The case has been accepted by the High Court of Hong Kong.

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

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

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|--------------------------------|------------------------------------|--------------------------------------|
| China Everbright Group Company | 25.15% | 25.15% |
| China Everbright Limited | 20.83% | 20.83% |

(ii) Associates and joint ventures of the Company

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

(iii) Other related parties

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

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders:

| | <u>30 June 2021</u> (Unaudited) | <u>31 December 2020</u> (Audited) |
|---|------------------------------------|--------------------------------------|
| Balances at the end of the period/year: | | |
| Other payables and accruals | <u>335,198</u> | <u>253</u> |
| | <u>Six months ended 30 June</u> | |
| | <u>2021</u> | <u>2020</u> |
| | (Unaudited) | (Unaudited) |
| Transactions during the period: | | |
| Fee and commission income | <u>31,997</u> | <u>14,623</u> |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances (continued)

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

| | 30 June 2021 | 31 December 2020 |
|--|--------------|------------------|
| | (Unaudited) | (Audited) |
| Balances at the end of the period/year: | | |
| Right-of-use assets | 53,628 | 36,115 |
| Financial assets at fair value through profit or loss | 20,888 | 1,285,893 |
| Accounts receivable | 9,333 | 14,220 |
| Other receivables and prepayments | 96,147 | 207,846 |
| Cash and bank balances | 5,467,771 | 10,576,147 |
| Loans and borrowings | 1,796,400 | 892,876 |
| Placements from other financial institutions | - | 1,900,990 |
| Financial liabilities at fair value through profit or loss | - | 972,936 |
| Other payables and accruals | 202,550 | 155,379 |
| Financial assets sold under repurchase agreements | 707,065 | 100,777 |
| Lease liabilities | 39,224 | 32,452 |

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Transactions during the period: | | |
| Fee and commission income | 55,339 | 33,368 |
| Interest income | 30,926 | 108,978 |
| Net realised gains | 11,519 | 14,797 |
| Other income and gains | 2,022 | 7,095 |
| Fee and commission expenses | 4,937 | 6,892 |
| Interest expenses | 22,284 | 42,001 |
| Other operating expenses | 58,422 | 52,262 |
| Transaction amount for placements from other financial institutions, loans and borrowings | 20,205,705 | 22,014,231 |
| Transaction amount for financial assets sold under repurchase agreements | 30,600,674 | 39,403,963 |

(c) Key management personnel's remuneration

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

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Short-term employee benefits | | |
| - Fees, salaries, allowances and bonuses | 25,486 | 15,047 |
| Post-employment benefits | | |
| - Contributions to pension schemes | 107 | 300 |
| Total | 25,593 | 15,347 |

(All amounts expressed in RMB thousands unless otherwise specified)

59. SEGMENT REPORTING

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

- Wealth management business segment: The Company provides brokerage and investment consulting services for retail clients to earn fee and commission, holds cash on behalf of clients to earn interest income, and sells financial products developed by the Company and other financial institutions to earn commission fee; and earns interest income from margin financing and securities lending, collateralised stock repurchase transactions, securities transactions under repurchase agreements and stock option exercise with respect to share incentive schemes of listed companies;
- Corporate financing business segment: The Company provides one-stop direct financing services for corporate customers and government customers, such as equity financing, debt financing, merger and acquisition financing, NEEQ and structural financing, asset securitisation and financial advisory service, to earn fee and commission, and also earns income from financial leasing business carried out by Everbright Leasing;
- Institutional customer business segment: The Company earns fee and commission by providing integrated services such as investments research and prime brokerage services to institutional clients;
- Investment trading business segment: On the premise of value investment and steady operation, the Company engages in various investment in and trading of stocks, bonds and derivatives to earn investment income;
- Asset management business segment: The Company provides institutional and individual clients with various securities assets management services and fund asset management services to earn management and advisory fees;
- Equity investment business segment: The Company generates income from private equity investment, alternative investment and PPP businesses; and
- Others mainly includes other businesses in addition to the above, including the operation of headquarters and investment holding platforms, and the management of general working capital.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

59. SEGMENT REPORTING (continued)

(a) Business segments

For the six months ended 30 June 2021 (Unaudited)

| | Wealth management | Corporate finance | Institutional customers | Investment trading | Asset management | Equity investment | Others | Segment total |
|---|-------------------|-------------------|-------------------------|--------------------|------------------|-------------------|-------------|---------------|
| Fee and commission income | | | | | | | | |
| - External | 2,243,222 | 1,064,122 | 458,453 | - | 675,835 | 1,264 | 41,584 | 4,484,480 |
| - Inter-segment | 11,117 | - | - | - | - | - | - | 11,117 |
| Interest income | | | | | | | | |
| - External | 2,011,993 | 63,322 | 60,074 | 283,152 | 62,121 | 420,615 | 274,750 | 3,176,027 |
| - Inter-segment | 3,516 | - | - | - | 5 | - | 421,285 | 424,806 |
| Net investment gains | | | | | | | | |
| - External | 35,240 | 102,009 | 77,570 | (74,162) | 16,248 | 110,759 | 546,959 | 814,623 |
| - Inter-segment | - | - | - | - | - | - | - | - |
| Total revenue | | | | | | | | |
| - External | 4,290,455 | 1,229,453 | 596,097 | 208,990 | 754,204 | 532,638 | 863,293 | 8,475,130 |
| - Inter-segment | 14,633 | - | - | - | 5 | - | 421,285 | 435,923 |
| Other income and gains | | | | | | | | |
| - External | 1,821,081 | 6,276 | (492) | - | 23,576 | 1,062 | 226,029 | 2,077,532 |
| - Inter-segment | 787 | - | - | - | - | - | 156 | 943 |
| Segment revenue and other income | | | | | | | | |
| - External | 6,111,536 | 1,235,729 | 595,605 | 208,990 | 777,780 | 533,700 | 1,089,322 | 10,552,662 |
| - Inter-segment | 15,420 | - | - | - | 5 | - | 421,441 | 436,866 |
| Segment expenses | | | | | | | | |
| - External | (4,691,410) | (475,730) | (155,840) | (264,908) | (387,160) | (173,583) | (1,471,972) | (7,620,603) |
| - Inter-segment | (9,834) | (7,927) | - | - | (3,500) | (414,168) | (379) | (435,808) |
| Segment operating profit/(loss) | | | | | | | | |
| - External | 1,420,126 | 759,999 | 439,765 | (55,918) | 390,620 | 360,117 | (382,650) | 2,932,059 |
| - Inter-segment | 5,586 | (7,927) | - | - | (3,495) | (414,168) | 421,062 | 1,058 |
| Share of profits of associates and joint ventures | | | | | | | | |
| - External | 2,858 | (8,760) | 189 | - | 42,917 | 2,145 | 9,625 | 48,974 |
| - Inter-segment | - | 8,760 | - | - | - | 6,722 | - | 15,482 |
| Profit/(loss) before income tax | | | | | | | | |
| - External | 1,422,984 | 751,239 | 439,954 | (55,918) | 433,537 | 362,262 | (373,025) | 2,981,033 |
| - Inter-segment | 5,586 | 833 | - | - | (3,495) | (407,446) | 421,062 | 16,540 |
| Interest expenses | (1,068,866) | (37,930) | (24,177) | (232,454) | (9,153) | (24,541) | (497,779) | (1,894,900) |
| Impairment losses | (605) | - | - | - | - | - | - | (605) |
| Credit loss expense | (72,440) | - | - | (12,897) | - | (114,719) | 35,005 | (165,051) |
| Depreciation and amortisation expenses | (117,577) | (20,189) | (10,842) | (866) | (22,073) | (1,609) | (116,940) | (290,096) |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

59. SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the six months ended 30 June 2020 (Unaudited) (Reclassified)

| | Wealth management | Corporate finance | Institutional customers | Investment trading | Asset management | Equity investment | Others | Segment total |
|---|-------------------|-------------------|-------------------------|--------------------|------------------|-------------------|-------------|---------------|
| Fee and commission income | | | | | | | | |
| - External | 1,854,038 | 1,271,602 | 338,727 | 2,680 | 857,370 | 5,011 | 3,793 | 4,333,221 |
| - Inter-segment | 11,565 | - | - | 51 | 236 | - | - | 11,852 |
| Interest income | | | | | | | | |
| - External | 1,703,358 | 89,231 | 117,087 | 327,057 | 22,708 | 346,156 | 206,471 | 2,812,068 |
| - Inter-segment | - | - | - | 638 | 5 | 9,937 | 319,216 | 329,796 |
| Net investment gains | | | | | | | | |
| - External | 31,655 | 33,402 | 106,128 | 843,712 | 159,798 | (308,013) | 543,835 | 1,410,517 |
| - Inter-segment | - | - | - | - | - | - | 61,985 | 61,985 |
| Total revenue | 3,589,051 | 1,394,235 | 561,942 | 1,173,449 | 1,039,876 | 43,154 | 754,099 | 8,555,806 |
| - External | 11,565 | - | - | 689 | 241 | 9,937 | 381,201 | 403,633 |
| Other income and gains | | | | | | | | |
| - External | 162,225 | 5,710 | 5,550 | - | 22,861 | (4,792) | 202,924 | 394,478 |
| - Inter-segment | - | - | - | - | - | - | - | - |
| Segment revenue and other income | | | | | | | | |
| - External | 3,751,276 | 1,399,945 | 567,492 | 1,173,449 | 1,062,737 | 38,362 | 957,023 | 8,950,284 |
| - Inter-segment | 11,565 | - | - | 689 | 241 | 9,937 | 381,201 | 403,633 |
| Segment expenses | | | | | | | | |
| - External | (2,698,799) | (755,216) | (217,973) | (272,799) | (562,617) | (53,890) | (1,447,225) | (6,008,519) |
| - Inter-segment | (5,855) | (1,696) | - | 3 | (5,724) | (317,793) | (10,532) | (341,597) |
| Segment operating profit/(loss) | | | | | | | | |
| - External | 1,052,477 | 644,729 | 349,519 | 900,650 | 500,120 | (15,528) | (490,202) | 2,941,765 |
| - Inter-segment | 5,710 | (1,696) | - | 692 | (5,483) | (307,856) | 370,669 | 62,036 |
| Share of profits of associates and joint ventures | | | | | | | | |
| - External | 2,542 | (5,130) | - | - | 37,701 | 2,701 | 6,527 | 44,341 |
| - Inter-segment | - | 6,527 | - | - | - | 5,055 | - | 11,582 |
| Profit/(loss) before income tax | | | | | | | | |
| - External | 1,055,019 | 639,599 | 349,519 | 900,650 | 537,821 | (12,827) | (483,675) | 2,986,106 |
| - Inter-segment | 5,710 | 4,831 | - | 692 | (5,483) | (302,801) | 370,669 | 73,618 |
| Interest expenses | (879,183) | (80,102) | (85,411) | (259,478) | (91,702) | (46,765) | (565,111) | (2,007,752) |
| Impairment losses | | | | | | | | |
| Credit loss expense | (187,194) | 2,630 | - | 3,364 | - | 103 | (1,943) | (183,040) |
| Depreciation and amortisation expenses | (125,865) | (20,122) | (9,789) | (438) | (22,072) | (3,687) | (169,846) | (351,819) |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

59. SEGMENT REPORTING (continued)

(b) Geographical segments

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

Segment revenue:

| | Six months ended 30 June 2021 | | | Six months ended 30 June 2020 | | |
|---------------------------------|-------------------------------|------------------------------|-------------------|-------------------------------|------------------------------|------------------|
| | Mainland China | Outside Mainland China | Total | Mainland China | Outside Mainland China | Total |
| Revenue from external customers | 7,774,940 | 700,190 | 8,475,130 | 7,839,871 | 715,935 | 8,555,806 |
| Other income and gains | 2,057,265 | 20,267 | 2,077,532 | 373,053 | 21,425 | 394,478 |
| Total | <u>9,832,205</u> | <u>720,457</u> | <u>10,552,662</u> | <u>8,212,924</u> | <u>737,360</u> | <u>8,950,284</u> |

Specified non-current assets:

| | 30 June 2021 (Unaudited) | | | 31 December 2020 (Audited) | | |
|---|--------------------------|------------------------------|-----------|----------------------------|------------------------------|-----------|
| | Mainland China | Outside Mainland China | Total | Mainland China | Outside Mainland China | Total |
| Property and equipment | 810,692 | 35,354 | 846,046 | 840,675 | 42,423 | 883,098 |
| Right-of-use assets | 628,331 | 151,652 | 779,983 | 631,733 | 190,535 | 822,268 |
| Goodwill | 9,380 | 935,217 | 944,597 | 9,380 | 945,962 | 955,342 |
| Other intangible assets | 150,724 | 61,377 | 212,101 | 146,845 | 69,395 | 216,240 |
| Investments in associates and joint ventures | 998,594 | 79,248 | 1,077,842 | 1,022,640 | 70,779 | 1,093,419 |
| Other non-current assets | 62,774 | - | 62,774 | 78,248 | 176 | 78,424 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

60. FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The following table lists the fair value information of the Group's assets and liabilities that are continuously and non-continuously measured at fair value and their fair value measurement levels at the end of the reporting date. The level of fair value measurement results depends on the lowest level of input value that is significant to the fair value measurement as a whole. The three levels of input values are defined as follows:

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

(b) Fair value hierarchy

| | 30 June 2021 (Unaudited) | | | Total |
|--|--------------------------|-------------------|------------------|-------------------|
| | Level I | Level II | Level III | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Debt securities | 2,001,982 | 16,743,666 | 29,358 | 18,775,006 |
| – Mutual funds | 13,625,603 | 3,941,592 | 1,380,163 | 18,947,358 |
| – Equity shares | 5,951,984 | 3,308 | 924,045 | 6,879,337 |
| – Wealth management products | - | 6,320,593 | 3,872,842 | 10,193,435 |
| – Others | - | 2,546,764 | 1,824,016 | 4,370,780 |
| Debt investments at fair value through other comprehensive income | | | | |
| – Debt securities | 103,360 | 16,928,173 | - | 17,031,533 |
| Equity investments designated at fair value through other comprehensive income | | | | |
| – Equity securities | 104,010 | 30,469 | 433,107 | 567,586 |
| Derivative financial assets | 4,959 | - | 175,977 | 180,936 |
| Total | 21,791,898 | 46,514,565 | 8,639,508 | 76,945,971 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| – Debt securities | - | 54,667 | 1,234,726 | 1,289,393 |
| Derivative financial liabilities | 4,836 | - | 318,577 | 323,413 |
| Total | 4,836 | 54,667 | 1,553,303 | 1,612,806 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

60. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

| | 31 December 2020 (Audited) | | | |
|---|----------------------------|-------------------|------------------|-------------------|
| | Level I | Level II | Level III | Total |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Debt securities | 1,760,743 | 21,445,521 | 61,386 | 23,267,650 |
| – Mutual funds | 12,739,682 | 3,210,686 | 1,567,719 | 17,518,087 |
| – Equity shares | 4,862,036 | 11,588 | 751,836 | 5,625,460 |
| – Wealth management products | - | 5,985,737 | 2,149,827 | 8,135,564 |
| – Others | - | 2,177,854 | 1,728,061 | 3,905,915 |
| Debt investments at fair value through other comprehensive income | | | | |
| – Debt securities | - | 17,638,387 | - | 17,638,387 |
| Equity investments designated at fair value through other comprehensive income | | | | |
| – Equity securities | 55,143 | 58,236 | 471,340 | 584,719 |
| – Contribution to designated accounts of China Securities Finance Corporation Limited | - | 4,593,864 | - | 4,593,864 |
| Derivative financial assets | 1,631 | - | 64,315 | 65,946 |
| Total | 19,419,235 | 55,121,873 | 6,794,484 | 81,335,592 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | - | 1,310,869 | 1,301,326 | 2,612,195 |
| Derivative financial liabilities | 3,268 | - | 304,379 | 307,647 |
| Total | 3,268 | 1,310,869 | 1,605,705 | 2,919,842 |

For the period ended 30 June 2021, amounted to RMB36,474 thousand financial instruments of Level 1 were transferred from Level 3 and amounted to RMB115,360 thousand financial instruments of Level 1 were transferred from Level 2, respectively. There was no significant transfers between other Levels.

For the year ended 31 December 2020, amounted to RMB75,143 thousand financial instruments of Level 1 were transferred from Level 3. There was no significant transfers between other Levels.

(i) Financial instruments in Level I

The fair values of financial instruments (financial assets/liabilities at fair value through profit or loss, debt investments at fair value through other comprehensive income and equity investments designated at fair value through other comprehensive income) traded in active markets are based on quoted market prices at the end of the 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.

(All amounts expressed in RMB thousands unless otherwise specified)

60. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(ii) Financial instruments in Level II

The fair values of financial instruments (financial assets/liabilities at fair value through profit or loss, and debt investments at fair value through other comprehensive income) are quoted by the valuation system of the relevant bond registration and settlement agency. The relevant quotation agencies used observable input values that reflect market conditions in the process of forming quotations without significant adjustment.

The fair values of financial instruments (financial assets/liabilities at fair value through profit or loss, debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and derivative instruments) that are not traded in an active market, the fair value of those instruments are determined by valuation techniques. Observable inputs required by valuation techniques include and are not limited to valuation parameters such as yield curve, net asset value, and price-to-earnings ratio.

For the period ended 30 June 2021, the valuation technique used in the above-mentioned continuous Level II fair value measurement of the Group has not changed.

(iii) Valuation methods for specific investments in Level III

The Group has developed relevant procedures to determine appropriate valuation techniques and input values in the continuous Level III fair value measurement. The Group regularly reviews relevant procedures and the suitability of fair value determination.

| Financial assets/ liabilities | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|---|---|------------------------------------|--|
| Listed equity investments with disposal restrictions within a specific period | Option pricing model | Volatility | The higher the volatility, the lower the fair value |
| Equity securities, preference shares, unlisted equity investments | Market valuation approach | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Trust products, bonds, asset management products and Wealth management products | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discount rate, the lower the fair value |
| Derivative assets | Option pricing model | Volatility | The higher the volatility, the higher the fair value |
| Derivative assets | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discount rate, the lower the fair value |
| Financial liabilities | Market valuation approach | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Financial liabilities | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discount rate, the lower the fair value |
| Derivative liabilities | Option pricing model | Volatility | The higher the volatility, the higher the fair value |
| Derivative liabilities | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discount rate, the lower the fair value |

For the period ended 30 June 2021, the valuation technique used in the above-mentioned continuous Level III fair value measurement of the Group has not changed.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

60. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(iii) Valuation methods for specific investments (continued)

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

| | Financial assets at fair value through profit or loss | Debt instruments at fair value through other comprehensive income | Equity investments designated at fair value through other comprehensive income | Derivative financial assets | Financial liabilities at fair value through profit or loss | Derivative financial liabilities |
|--|---|---|---|-----------------------------------|--|--|
| 31 December 2020 (Audited) | 6,258,829 | - | 471,340 | 64,315 | (1,301,326) | (304,379) |
| Gains/(losses) for the period | (329,095) | - | - | 4,958 | 93,854 | (110,714) |
| Changes in fair value recognised in other comprehensive income | - | - | (3,639) | - | - | - |
| Purchases and issues | 4,053,683 | - | - | 170,202 | - | (217,087) |
| Transfer in | 13,788 | - | - | - | - | - |
| Transfer out | (1,880) | - | (34,594) | - | - | - |
| Sales and settlements | (1,964,901) | - | - | (63,498) | (27,254) | 313,603 |
| 30 June 2021 (Unaudited) | 8,030,424 | - | 433,107 | 175,977 | (1,234,726) | (318,577) |
| Total profits/(losses) for the reporting period included in profit or loss for assets held at the end of the reporting period | (296,346) | - | - | 4,958 | 93,854 | (110,714) |
| 31 December 2019 (Audited) | 21,286,111 | 13,456 | 542,867 | - | (405,952) | - |
| Gains/(losses) for the year | (1,398,396) | (27,921) | - | 8,083 | 104,619 | 131 |
| Changes in fair value recognised in other comprehensive income | - | 16,544 | 9,075 | - | - | - |
| Purchases or issues | 21,592,180 | - | 56,280 | 56,232 | (999,993) | (304,510) |
| Transfer in | 13,881 | - | - | - | - | - |
| Transfer out | (50,085) | - | (25,058) | - | - | - |
| Sales and settlements | (35,184,862) | (2,079) | (111,824) | - | - | - |
| 31 December 2020 (Audited) | 6,258,829 | - | 471,340 | 64,315 | (1,301,326) | (304,379) |
| Total profits/(losses) for the reporting period included in profit or loss for assets held at the end of the reporting period | (1,408,677) | - | - | 8,083 | 104,619 | 131 |

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2021

(All amounts expressed in RMB thousands unless otherwise specified)

60. FAIR VALUE INFORMATION (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 30 June 2021, 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:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|-----------------------------|-------------------------------|
| Financial assets | | |
| - Financial assets measured at amortised cost | 4,273,966 | 4,451,962 |
| Financial liabilities | | |
| - Long-term bonds | 47,260,449 | 42,019,167 |

Fair value:

| | 30 June 2021 (Unaudited) | | | |
|---|----------------------------|------------|-----------|------------|
| | Level I | Level II | Level III | Total |
| Financial assets | | | | |
| - Financial assets measured at amortised cost | - | 4,370,784 | 1,040 | 4,371,824 |
| Financial liabilities | | | | |
| - Long-term bonds | - | 47,532,545 | - | 47,532,545 |
| | 31 December 2020 (Audited) | | | |
| | Level I | Level II | Level III | Total |
| Financial assets | | | | |
| - Financial assets measured at amortised cost | - | 4,542,506 | 5,195 | 4,547,701 |
| Financial liabilities | | | | |
| - Long-term bonds | - | 42,215,244 | - | 42,215,244 |

61. GUARANTEES

During the reporting period, guarantees provided by the Company mainly included the net capital guarantee for the wholly-owned subsidiary, Shanghai Everbright Securities Assets Management Co., Ltd., and the overseas loan guarantee for the wholly-owned subsidiary, Everbright Securities Financial Holdings Limited ("EBSHK"). As at 30 June 2021, the balance of the above guarantees amounted to RMB4.601 billion.

During the reporting period, guarantees provided by the controlling subsidiaries of the Company mainly included the loan guarantees and financing guarantees provided by EBSHK, a wholly-owned subsidiary of the Company, and its subsidiaries to their subsidiaries for the business development of such companies. As at 30 June 2021, the balance of the above guarantees amounted to RMB5.775 billion.

(All amounts expressed in RMB thousands unless otherwise specified)

62. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

(a) Issuance of corporate bonds after the reporting period

On 6 July 2021, the Company issued the seventh batch of short-term financing bills of Year 2021 amounting to RMB3 billion, which have a term of 82 days and bears interest at a fixed rate of 2.20%.

On 14 July 2021, the Company issued a corporate bond with an aggregate principal amount of RMB1.3 billion through public offering, which has a term of 3 years and bears interest at a rate of 3.12%.

On 14 July 2021, the Company issued a corporate bond with an aggregate principal amount of RMB1.7 billion through public offering, which has a term of 5 years and bears interest at a rate of 3.45%.

On 3 August 2021, the Company issued the eighth batch of short-term financing bills of Year 2021 amounting to RMB2 billion, which have a term of 91 days and bears interest at a fixed rate of 2.20%.

On 9 August 2021, the Company issued a corporate bond with an aggregate principal amount of RMB3 billion through public offering, which has a term of 3 years and bears interest at a rate of 3.12%.

(b) Redemption of corporate bonds after the reporting period

On 20 May 2021, the Company issued a short-term financing bills with an aggregate principal amount of RMB2 billion, which has a term of 91 days and bears interest at a rate of 2.30%. The redemption work of this bond was completed on 19 August 2021.

(c) Guarantee after the reporting period

On 14 July 2021, the Company applied to the Shanghai Branch of ICBC for issuing a letter of guarantee / standby letter of credit for obtaining overseas bank loans for EBSHK, and provided a domestic guarantee amounting to USD100 million.

(d) Dissolution of subsidiaries

On 20 July 2021, EBSHK dissolved its subsidiary SHK Global Managers Limited.

63. COMPARATIVE FIGURES

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

64. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 August 2021.